A TONSORIAL VIEW OF THE SOVIET SECOND ECONOMY

by

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The provincial town of N. contained so many barber shops and funeral establishments that it seemed that its inhabitants came into this world merely to get a shave and a haircut, freshen up the scalp with hair tonic, and to die immediately thereafter.

Opening sentence of the superb satire on the second economy (as it were) of the NEP, Il'ia Il'f and Evgenii Petrov's The Twelve Chairs, Moscow, 1927. Our translation.

How glimpse the invisible? How measure the unmeasurable? The problem of estimating the size and composition of a hidden economy has busied many a statistician and economist in recent years. Since the actors in an underground economy usually conceal their activities and incomes for good and obvious reasons, direct measurement will not do. A variety of indirect methods have been proposed, and some actually used, to pierce the shroud that covers the hidden economy of a Western country. These typically measure certain proxy variables that are presumed to be correlated with the size of the hidden economy, or at least with changes in its size over time, such as currency in circulation (on the premise that those who wish to conceal their activities or income prefer to pay and be paid in currency rather than by monetary instruments which leave detectable tracks), or even more remote correlates such as the over-all tax burden and the size of the government bureaucracy. Where possible, resort has also been made to household questionnaire surveys to gauge the shortfalls in official employment or expenditure data. A large literature has arisen along these lines, and much has been learned in the process, but few conversant with the methods would vouch for a consistently high order of accuracy of the results obtained heretofore. Measuring the unmeasurable remains a problem.

Our own concept of the Soviet "second economy" is broader than that of an underground or hidden economy, for it includes as well some legal -- therefore "above ground", at first blush unhidden -- activities. By our definition, the second economy is the aggregate of productive and rent seeking activities, and of the corresponding personal incomes, which meet at least one of two overlapping tests: being on private account (which can be legal in the USSR within a very narrow range of specified activities), and being illegal in some significant respect, be the activity on private or socialist account. Closely related to the second economy are two other widespread phenomena: theft of socialist property (in a broader sense, including the misappropriation of labor time and of services of production facilities), and bribery and other forms of corruption.

Needless to say, all illegal activity and theft and corruption are concealed from official view by the actors. But, in fact, even much of the legal private activity is hidden, in whole or in part, to evade the heavy direct taxes that impinge on nearly all of the non-agricultural private activities (compare tax evasion in Western countries), to minimize the "squeeze" collected by innumer-
able officials, and to escape the ideological odium that attaches to any private economic activity in the USSR. Finally, much legal private activity may escape official recording because of gaps and deficiencies in the statistical system. Thus, even such important and, in principle, legal activity as the sale of privately produced foodstuffs in the so-called kolkhoz market seems to be seriously understated in Soviet official statistics.³ It should also be noted that in the Soviet Union the line between legal and illegal private activity is blurred and uncertain, and it is a rare legal private activity that does not have its appreciable, if not preponderant, illegal side. In a practical sense, therefore, nearly the whole of the Soviet second economy can be thought of as hidden, either in whole or in considerable part.

The Soviet second economy, like a Western underground economy, is a market economy. Insofar as it is illegal and produces for exchange, it cannot but be a market economy -- though, naturally, one with its own peculiar institutions and limits. Insofar as the second economy is above ground, it may in certain respects be formally subjected to price controls and other regulations that reflect the ambient command economy -- such as occasional ceiling prices at kolkhoz markets, rent controls on privately let dwellings -- but in the event these seem to be widely evaded. In sum, there is a major difference between the Soviet second and the Western underground economy. The former is a (largely) private-enterprise, market economy co-existing and interacting with an ambient socialist, command economy, while its Western counterpart is a private-enterprise, market economy that co-exists and interacts with another (largely) private, market economy, the formal economy. Systemically, in the West, the "other" economy and its formal "host" are not very far apart; in the USSR, they are.

Another important distinction has already been alluded to here. To a very large extent, the Soviet second economy depends on theft from the socialist sector, mostly the state, for inputs of materials, labor, and production capital, which thus are, in the first instance, acquired at near-zero price. ⁴ Stolen inputs (other than unpaid taxes) seem to play a much smaller role in Western underground economies.

It follows, from both the systemic distinction and the role of theft in providing inputs, that the Soviet second economy may be expected to have a structure of relative economic values (prices, wages, incomes, etc.) much less similar to that of its first economy, than would be true of a Western underground economy in relation to its formal environment.

Object of the Study

How can the general structure of economic values in the Soviet second economy be observed? To be sure, a wealth of individual prices and incomes can be culled from the Soviet press, from written and oral accounts of emigrants, and from the limited observations and tales of foreign travelers. Some indications of synthetic price levels in the private market in relation to those in the state sphere can even be found in official statistical compendia, e.g., for aggregate kolkhoz market prices (though the official data are of dubious reliability, as already mentioned). Interesting results regarding relative hourly remuneration in official employment and in private activity, by economic sector, have been obtained by Ofer and Vinokur from their emigre household survey (1980). Similar estimates are underway in the analysis by Professor Treml and the present author of our emigre household survey (hereafter, the Grossman-Treml survey).
Yet, apparently, no survey can directly provide an answer to such a basic, though not very simple, question as "what is the level of hourly pay for ordinary unskilled labor in the second economy, in rubles and in relation to the corresponding wage in the 'first' economy?". One reason is that the answer to our question is not usually formulated in this way in the minds of both the private employer (household) and the hired help. Because private employment in the USSR tends to be occasional, not regular, remuneration is typically by the job, not by the hour. A second reason is that payment for occasional private labor services rendered by a male worker (especially if he is "northern", i.e., not of Caucasian or Moslem nationality) is often not in cash but in what is effectively the second currency of the Soviet Union, vodka. In such a case, the bargain is struck in terms of a number of standard (half-liter) bottles to be paid upon completion of work, and the liquid medium of exchange is frequently consumed by the recipient on the spot. And yet, it would be rash to infer that the second economy completely overlooks the cash value of time in the labor bargain. Being a market, it surely must take labor time into account so that an hourly cash wage ought not be devoid of meaning.

Of particular interest, then, is the hourly remuneration of unskilled labor, expressed in money. Not only does this remuneration lie, as it were, at the base of the whole scale of labor earnings in the second-economy (as elsewhere), but it also refers to a kind of labor that is relatively easy to compare with its counterparts in both the "first" economy of the USSR and in all other countries. Moreover, this kind of work performed "on the left" (informally, illegally, uncontrolled) must be ubiquitous throughout the USSR, with numerous buyers and sellers in many localities, competition on both sides of the market, and virtually no effective regulation or control by the authorities. In sum, an almost perfect market in a given locality. (The fact that "help is hard to find", as it mostly is in the USSR, does not invalidate the case -- it merely calls for a higher wage). But we can expect major inter-regional and inter-city differences in the pay of unskilled labor, because the spatial mobility of both workers and their employers must be quite limited.

In a private communication, Peter Wiles has justifiably pointed out that "the ratio of black to official unskilled hourly pay is of great importance in all questions of time budgets. It gives us, first, the opportunity cost of a worker's time as a multiple of his official wage -- perhaps, even if he is a skilled worker. Secondly, it tells us what is a reasonable time budget..." True enough. Empirically, however, this approach is fraught with complications: (1) A good deal of private work of many kinds is accomplished on the official job, often using the employer's materials, tools, equipment, and customers; (2) there are other, sometimes lucrative, forms of "left" income to be derived from being present at the official place of employment, such as collecting bribes; and (3) the same person often works at quite different levels of skill in the first and second economies, which throws off Wiles's ratio.

What kind of unskilled work is in question here? Loading, hauling, wood-chopping, unskilled help with own construction of a dwelling or a garage, digging up a garden, and various kinds of housework, such as cleaning, clothes-washing, and minding the very young, the infirm, and the aged. In regard to housework alone, the Grossman-Treml survey contains 28 families (all from the European USSR and nearly all from large cities) that reported payment in a given year for such purposes. On an average monthly basis the amounts ranged from 2.5 to 33 rubles, plus an outlier figure of 160 rubles per month, and with a median of 8 rubles. Unfortunately, the observations do not include 5 6
information of hours worked or on whether food or other benefits in kind were provided by the employer in addition to cash.

Since direct estimation of the unskilled wage in the second economy is impracticable -- and, moreover, the sample of such cases in a household questionnaire survey is likely to be quite small (particularly in view of the regional differences in the wage) -- we proceeded to obtain the answer in an indirect fashion. To do so we made use of an empirical regularity between unskilled pay and the price of a man's haircut (on which more presently), asking all respondents in our survey how much each male member of the household typically paid for a haircut in the last normal year before emigration from the USSR. A sample of almost 900 such answers was obtained.

A major object of this paper, therefore, is to inquire into the levels of haircut prices, and so to infer the levels of unskilled pay in the second economy by city and region. In addition we shall take a longish look at barbers' incomes, legal and illegal, as perceived by others and by the barbers themselves, and as actually received by them.

For information on both incomes and haircut prices we shall rely primarily on the findings of the Grossman-Treml questionnaire survey. The sample consists of 1,007 families of recent emigrants, all from urban localities but from a wide range of republics and regions in Soviet Europe and Asia. All interviews were conducted in the United States by interviewers who themselves are recent emigrants, following the "snowball" technique, with parallel interviewing in several cities.

Haircuts: Fourastié's Law

In a book which received much attention in its day, Professor Jean Fourastié of Paris, a historian of French prices and of economic progress, casually made the point that even among very different countries the price of a man's haircut tends to be approximately equal to the hourly wage of labor. To illustrate this finding -- let us accord it the title of an empirical "law" -- he compared haircut prices and hourly money wages of maidservants in Cairo, Paris, and New York. One would think that in all three cities at the time (the data seem to pertain to 1947 or 1948) the wages of maidservants would be on the level of unskilled pay rather than of average wages of hourly labor, and we interpret the law in this sense. Furthermore, Fourastié argued that the then rapidly rising employer's social insurance taxes ought to be added to wages for the purpose at hand.7 We accept this suggestion.

Ever since coming across Fourastié's law the present author has made it a point in his travels to check its validity from country to country and over a good number of years, by a method that may be described as highly casual empiricism on the spot. The law seemed to be confirmed nearly every time, at least in market economies. In our experience in Berkeley, California, beginning with the late 1930s, an approximate 1:1 relationship has held up quite well, especially if one adds employer's social security taxes to the unskilled wage. Some thirty years after Fourastié's aforementioned comparison, we tested the law for Paris -- again, casually -- with the kind assistance of Dr. Eugène Zaleski of that city and his wife. We quote from his letter of 8 November 1979 (with some inconsequential abbreviation and a few minor editorial changes):

"I went immediately ... to a barber shop for a most ordinary haircut. The price (which is taxed in France) was 16.00 francs, and I tipped 2.00 francs, which corresponds to a [normal] tip of 10-15 percent. [i.e., total payment by customer, 18 F.]"
My wife, who works in the Ministry of Labor, obtained for me the data on the minimum wage. [The current] minimum hourly wage in Paris is 12.42 F. Fringe benefits (employer's payments) for this minimum wage are as follows:

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligatory medical insurance</td>
<td>14.45%</td>
</tr>
<tr>
<td>Old-age insurance</td>
<td>8.20%</td>
</tr>
<tr>
<td>Family allowances</td>
<td>9.00%</td>
</tr>
<tr>
<td>Accidents at work (insurance)</td>
<td>2-4%, say 3%</td>
</tr>
<tr>
<td>Total addition to the wage</td>
<td>34.65%</td>
</tr>
</tbody>
</table>

Total paid by employer: $12.42 \times 1.3465 = 16.72$ F.

Thus, in Paris in late 1979, the minimum wage plus employer's payments, a measure of hourly employment cost of an unskilled worker, was therefore 93 percent (16.72 : 18 \times 100) of Zaleski's expense of an ordinary haircut plus tip.

Some unskilled workers may, in fact, have been earning more. The "law" roughly was confirmed in this instance as well.

Fourastié explained the constancy of the haircut-price-to-unskilled-wage ratio by the relative constancy of the barber's productivity over time and space. One might, however, rather surmise that a barber's and an unskilled worker's productivities do vary over time and space, but tend to vary roughly alike. And one would need to add that there is a tendency for skilled barbers' and unskilled workers' real earnings to be and stay in rough proportion to one another at different times and in different countries. If the latter statement is more or less correct, it would be yet another instance of Phelps Brown's "association between status and relative pay being maintained by custom in defiance of the shifting play of market forces" over long time spans.

Now, the second economy in the USSR being a market economy, can haircut prices tell us something about the level of wages of moonlighting unskilled labor? The official, controlled prices -- hardly. But the official price is not what the customer in a barber shop actually pays; instead, he pays a much higher total amount that includes, in addition, a very large tip, so large that many Western visitors to the USSR have remarked upon the fact. (And, on the other hand, as we shall see, the state does not even collect the full official price. A good deal of it adheres to sticky fingers in the barbering business.)

The total payment is, of course, part of the second economy, hence, a free price. It is, then, this total payment, including tip, which we take as proxy for the hourly wage of unskilled labor in that economy.

Haircuts: the Soviet scene

A non-institutionalized Soviet male ready for a haircut has a choice of three venues: having it done at home (an alternative we henceforth ignore), going to a socialist barber shop (either "communal", i.e., municipal or local, or "departmental", i.e., at the work place), or resorting to the services of a private barber operating "on the left" in his/her or the client's home. From the 1,392 males of all ages in the Grossman-Treml sample we have obtained a total of 894 observations, of which 829 (93 percent) pertain to haircuts at barber shops (hereonout we omit the qualifier "socialist"), presumably mostly communal rather than departmental, and 65 to haircuts by private barbers working "on the left". The figures are, of course, reported not by the barbers but by their customers.

The modern Russian words for barber, parikmakher, and for the establishment, parikmakherskaiia, refer to women's hairdressing and to "mixed" operations as well as to men's barbering. Soviet official statistics do not distinguish between the genders, either for the occupation or for the establishment. As for private barbers and their services, official statistics omit them altogether.
Prices of barber-shop services are administratively fixed, as are wages of barbers and other employees. Prices of private barbering services are, naturally, set by the market and are not administratively fixed. However, as we have just seen, the official prices are in large measure fictitious for all three parties - state, customer, and barber - owing to generous tipping, on one hand, and liberal dipping into the state's till by barber-shop personnel, on the other.

Generous, even lavish, tipping is a not unexpected phenomenon under conditions of chronic repressed inflation; in effect, it is a way of at once circumventing both price and wage controls, of bringing values in the informal market closer to equilibrium levels. As long ago as the early fifties, an American correspondent noted that in Moscow "A haircut (for some reason, the biggest bargain in Russia) is officially - G.G. - 2 rubles [old money = 0.2 r. in post-1960 money] but the tip to the barber should be three times as much; and many individual rubles should be added for a shampoo, shave, and finally and inevitably 'Eau de Cologne' ...."

The share of the tip in the total amount paid by the customer may no longer have been as high in the seventies as it was in the fifties, but the Grossman-Treml survey finds that for Moscow, on the average, the tip, still was 39 percent of the total price paid (N=39, standard error of the mean - 2.6 percentage points), very close to the average for all northern cities combined, which was 40 percent (N=386).

The tip to the barber breaks down into the basic tip, which is paid for the haircut alone, and supplementary tips for special consideration and additional services. For the individual customer, the basic tip may be essentially parametric; it is what the social situation dictates and the barber expects. But from the social (aggregate) point of view it is the amount that performs one or both of two functions: (1) raising the price of the haircut to some kind of "realistic" level in relation to other realistic (i.e., second-economy) prices, and (2) elevating the barber's living standard above the meagerly wage that the state pays him (more on this below) to reach a kind of traditionally sanctioned level in relation to the structure of real earnings, including second-economy incomes. In other words, it corresponds to the public sense of fitness of things at the time and place, a sense that may have, subconsciously, survived decades of the command economy and of price-income controls. Note, however, that functions (1) and (2) need not call for the same size of tip.

Supplementary tips, as mentioned, are offered for services additional to the haircut proper and for special considerations given the customer. Most important of the special considerations is being received ahead of the barber shop queue, usually by pre-arrangement, which rates a generous additional tip. In fact, the public may be overtipping in the sense that barbers may be doing quite well despite low salaries, with the help of tips and illegal income. If so, one may surmise that the public's sense of relative values, when tipping, applies not so much to the barber's income as to the price of the haircut.

Free prices of haircuts

And so back to haircut prices and Fourastié's law. The Grossman-Treml questionnaire asked each male member of the household to state the amount that he usually paid, per haircut alone, (1) into the state's till (v kassu), (2) for eau-de-cologne (which, in Soviet usage, stands for any hair tonic), (3) as

11
12
a tip to the barber, and (4) altogether, which we call the "total payment". The last, as already argued, may be thought of as a free price, thanks to the importance of the tip.

As already mentioned, we obtained 829 answers regarding typical payments per man's haircut in a barber shop. We focus on the variable "total payment". The results are summarized in Table 1, which presents means and medians by cities, grouped into North and South. Ten of the cities are named -- eight republic capitals plus Leningrad and Odessa -- while two are composite entities, the residual catch-all categories "all other northern cities" and "all other southern cities". Two named cities have a fairly large number of observations (N) each: Leningrad - 111, and Erevan - 224. (Leningrad and Erevan are the two local case studies in the Grossman-Treml survey.) The other named cities have much smaller N's, from 22 to 45. The composite "all other NC" is broken down by population size into three groups.

To begin with the means, visual examination of column 2 reveals a moderate tendency for the northern cities to have lower total payments per man's haircut than southern cities. (The pattern may be easier to grasp in column 5, where the means are expressed as relatives, with the Erevan mean = 100.) Northern cities with the highest total haircut payments are Moscow and Odessa; the former is exceptional for obvious reasons, the latter is almost southern in its putative involvement in the second economy. Removing the two cities from the northern contingent brings out somewhat more strongly the pattern of lower haircut payments in the North than in the South. Especially low is the mean for the category "all other northern cities", 0-50,000 population: 88.3 kopeks per haircut, or 42 percent of the Erevan figure; and the median in this case is only 25 percent.

| Northern cities (NC) | (476) |  |  |  |  |  |  |
|----------------------|-------|-------|-------|-------|-------|-------|
| Kiev                 | 43    | 150.1 | 11.1  | 150   | 75    | 75    | 3.7  | 3.5 |
| Kishinev             | 26    | 180.8 | 16.4  | 170   | 85    | 85    | 4.2  | 4.0 |
| Leningrad            | 111   | 192.9 | 12.1  | 150   | 91    | 75    | 4.5  | 3.5 |
| Moscow               | 45    | 227.1 | 20.7  | 180   | 107   | 90    | 5.3  | 4.2 |
| Odessa               | 28    | 200.7 | 17.6  | 200   | 95    | 100   | 4.7  | 4.7 |
| Rigab                | 35    | 171.4 | 14.2  | 180   | 81    | 90    | 4.0  | 4.2 |

| All other NC         | (188) |  |  |  |  |  |  |
|----------------------|-------|-------|-------|-------|-------|-------|
| Population: 0-50,000 | 25    | 88.3  | 8.09  | 80    | 42    | 25    | 2.1  | 1.9 |
| 51-500,000           | 96    | 136.7 | 11.75 | 100   | 65    | 50    | 3.2  | 2.3 |
| 501,000+             | 67    | 160.3 | 11.4  | 145   | 76    | 72.5  | 3.75 | 3.4 |

| Southern cities (SC) | (253) |  |  |  |  |  |  |
|----------------------|-------|-------|-------|-------|-------|-------|
| Bakub                | 39    | 213.2 | 13.9  | 200   | 100   | 100   | 5.0  | 4.7 |
| Erevan               | 224   | 211.9 | 7.86  | 200   | 100   | 100   | 5.0  | 4.7 |
| Tashkent             | 22    | 190.5 | 12.6  | 200   | 90    | 100   | 4.5  | 4.7 |
| Tbilisi              | 23    | 190.7 | 7.80  | 200   | 90    | 100   | 4.5  | 4.7 |
| All other SC         | 45    | 183.1 | 10.5  | 200   | 86    | 100   | 4.3  | 4.7 |
Table 1 (contd)

Source: Grossman-Treml survey

a. N's pertain to means. N's for medians are the same except as follows:
   
   Kiev - 45, Moscow - 47, Riga - 37, Baku - 40, Tashkent - 23, Tbilisi - 24, all other
   SC - 46. Unit of observation - one person's average payment per haircut during his
   last normal year in the USSR.

b. Owing to the relatively small samples for these cities (between 23 and 47 observa-
tions), the upper and lower extreme values were eliminated for each city before
computing the mean value.

c. Pensioner families (containing pensioners only) are excluded from the Leningrad and
Erevan sub-samples for comparability with the other cities. (The two cities are the
only ones in our sample containing pensioner families.) Pensioners seem to spend
considerably less per haircut.

d. The sub-samples for all southern cities except Erevan consist solely of "northerners",
mostly Jews, who resided in the respective cities prior to emigration from the USSR,
and not of persons of local nationalities. In the case of Erevan, 90 percent of the
sub-sample consists of ethnic Armenians and 10 percent of "northerners", mostly Jews.

e. In Armenia, Georgia, Azerbaidzhan, Uzbekistan, and southern Kazakhstan.

f. See text.

The North-South pattern of haircut payments stands out much more strongly
in a comparison of the medians (col. 4. and 6.), where all the northern cities
have lower, sometimes considerably lower, values than the uniform value for
southern cities, 2.00 rubles per total payment per haircut. By Fourastiie's law,
a tentative conclusion would be that, in the mid- and later 1970s, an hour of
unskilled labor in the North (except Moscow and Odessa) was paid in the second
economy, say, 10 to 75 percent less than in the major cities of the South.

The last two columns of Table 1. express the means and medians of total
haircut payments as multiples of the minimum hourly wage (inclusive of the em-
ployer's social security payments with reference to that wage). Strictly
speaking, the USSR had no minimum hourly wage in the mid- and late 1970s, nor
has it had one since. Rather, it has had a minimum monthly wage/salary for the
category of "workers and employees" (which excludes peasants and military), then
and today set at 70 rubles per month. This minimum began to be introduced by
sector or region in 1971, and by 1975 was in effect throughout the economy,14
in both city and country. Some may in fact have been earning less than the
minimum even in the second half of the 1970s: part-time workers (less per month
though not necessarily per hour) and some of those who could not meet produc-
tion norms.15 On the other hand, some, perhaps many, working at unskilled jobs were
doubtless earning substantially more in their official employment (not to speak
here of the second economy), thanks to the whims of the Soviet system of ad-
ministered wages, dictates of the labor market in the face of pervasive labor
shortage, or nepotism, or plain good luck. All in all, it may not be far wrong
to equate the level of official unskilled pay with the minimum wage, 70 r. /mo.
Adding employer's social insurance payments, about 6.26 percent, we compute the
corresponding hourly rate to have been 42.73 kopeks per hour.16 Let us abbre-
vi at e it as MHW.
We can similarly calculate the average official hourly wage (AHW). The 1977 all-Union average monthly wage for both urban and rural workers and employees was 155.2 rubles. Using the same parameters as in the computation of MHW, we obtain an all-Union AHW in the official sector of 94.73 kopeks, inclusive of social insurance contributions by the employer.

Total payments per haircut in Table 1 are, of course, much higher than MHW, and with one exception even higher than AHW. The lowest figure for haircut payment in the Table is 100 kopeks, the median value for "all other northern cities", 0-50,000 population, and this figure is 1.9 times MHW and 0.84 of AHW. (The multiples of MHW can be found in the last two columns of Table 1.) The highest haircut-payment figure in the Table is the mean for Baku, 213.2 k., which is just 5 times MHW and 2.25 times AHW.

Following Fourastié's law -- without imputing to him responsibility for liberties we take -- and regarding the total payment per haircut, tip included, as a free market price for the service, we can very tentatively, offer the following conclusions. The level of monetary hourly (monetary, not in vodka!) remuneration of unskilled labor in the Soviet second economy (HRULSE) in the mid- and late 1970s was (mean and median define the range, respectively; multiples are rounded):

- in Moscow, 1.80 to 2.25 rubles (4.2-5.3 times MHW; 1.9-2.4 times the all-Union AHW);
- in other northern republic capitals and in Leningrad, 1.50 to 2.00 rubles (3.5-4.7 times MHW, 1.6-2.1 times AHW);
- in other northern cities and towns (north of the Caucasus range and Central Asia):
  - in small towns (up to 50,000), 0.8 to 0.9 rubles (about 2 times MHW and 0.8-0.9 times AHW);
  - in medium-sized cities (over 50,000 and up to 500,000), 1.0 to 1.4 rubles (2.3-3.2 times MHW, 1.0-1.4 times AHW);
- in large cities (over 500,000), 1.4 to 1.6 rubles (3.4-3.8 times MHW, 1.5-1.7 times AHW);
- in the capitals of Transcaucasia, 1.90 to 2.15 rubles (4.5-5.0 times MHW, 2.0-2.25 times AHW);
- in Tashkent, around 2.00 rubles (around 4.5 times MHW, around 2 times AHW).

No great accuracy can be claimed for these estimates of HRULSE. Beginning with the highly casual basis of Fourastié's law, through the vagaries of sampling for the questionnaire survey and the problems of fidelity of respondents' recall, to the appropriateness of the total payment per haircut in socialist barber shops as a reasonable measure of the "true" second-economy value of this particular service, uncertainties and errors abound and cumulate. And yet, we cannot dismiss the estimates entirely either. They are not patently nonsensical, and the intuitively correct signs of the north-south and center-periphery gradients tend to reinforce the slender methodological reed that supports the HRULSE estimates. So, we take the estimates moderately seriously and proceed with a brief commentary.

Are they not too high in absolute terms and in relation to both MHW and AHW? Is it credible that HRULSE is anywhere from 2 to over 5 times the minimum hourly wage in the "first" economy, depending on location? And this in mid- or late 1970s, before or just on the eve of the serious aggravation of consumer goods shortages and the substantial rise in free (legal and black) market prices of the latter part of 1979 and the early 1980s.17 We do not find the estimates of HRULSE unacceptably high, for the following reasons:

1. Ofer and Vinokur conclude from their survey, which takes in the urban population of the North alone and pertains to the early 1970s, that hourly earnings from work (of all skills) in the private (second) economy yielded
on the average "close to four times" as much as in the first. Our HRULSE estimates for the North alone, expressed as multiples of MHW, range from 2.3 to 5.3, i.e., they bracket the Ofer/Vinokur ratio.

2. A certain -- unknown -- portion of unskilled urban labor was probably earning somewhat more than the bare minimum wage (MHW), as we have noted. This does not affect our absolute estimates of HRULSE, of course; but it does suggest that the ratios of HRULSE to unskilled pay in the first economy -- expressed as ratios to MHW -- may in fact have been somewhat lower.

3. A good part of urban unskilled employment in the private sector must be occasional, seasonal, and otherwise irregular, and is often performed outside regular work hours. This alone suggests a certain premium for HRULSE over corresponding pay in the socialist sector.

4. Another and probably more substantial premium of this kind is dictated by the reputedly much higher productivity of labor of all kinds, and surely unskilled labor as well, in private employment than on an official job. The fact is so widely reported and so well known, and the reasons are so obvious, that there is no need to expand on them here. (On the other hand, the risk premium -- due to illegality or tax evasion -- is probably not an important component of HRULSE, because low-skill private work is generally ignored by the authorities.)

5. Last but not least, the HRULSE estimates make some sense when confronted with average hourly earning from work for private persons, as derived (without re-weighting) from the Grossman-Treml survey data on both second-economy earnings and hours of work. Below we present by city, (N) number of observations, (A) median hourly private earnings in rubles, (B) median total payment per man's haircut in rubles (from Table 1), a proxy measure for HRULSE, (C) ratio of (A) to (B) in percent, and (D) ratio, in percent, of (A) to our estimate of the mean, official, all-Union wage or salary, net after tax, in 1977, namely 0.80 rubles per hour.

---

<table>
<thead>
<tr>
<th>City</th>
<th>N</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kiev</td>
<td>20</td>
<td>2.71</td>
<td>1.50</td>
<td>181</td>
<td>339</td>
</tr>
<tr>
<td>Kishinev</td>
<td>15</td>
<td>3.57</td>
<td>1.70</td>
<td>210</td>
<td>446</td>
</tr>
<tr>
<td>Leningrad</td>
<td>98</td>
<td>2.69</td>
<td>1.50</td>
<td>180</td>
<td>336</td>
</tr>
<tr>
<td>Moscow</td>
<td>24</td>
<td>2.89</td>
<td>1.80</td>
<td>160</td>
<td>361</td>
</tr>
<tr>
<td>Odessa</td>
<td>12</td>
<td>2.92</td>
<td>2.00</td>
<td>146</td>
<td>365</td>
</tr>
<tr>
<td>Riga</td>
<td>11</td>
<td>2.91</td>
<td>1.80</td>
<td>161</td>
<td>364</td>
</tr>
<tr>
<td>All other NC, popul'n</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-50,000</td>
<td>14</td>
<td>2.32</td>
<td>0.80</td>
<td>290</td>
<td>290</td>
</tr>
<tr>
<td>51-500,000</td>
<td>96</td>
<td>2.94</td>
<td>1.00</td>
<td>294</td>
<td>367</td>
</tr>
<tr>
<td>501,000+</td>
<td>32</td>
<td>2.50</td>
<td>1.45</td>
<td>172</td>
<td>313</td>
</tr>
<tr>
<td>Baku</td>
<td>22</td>
<td>3.51</td>
<td>2.00</td>
<td>175</td>
<td>439</td>
</tr>
<tr>
<td>Erevan</td>
<td>106</td>
<td>4.97</td>
<td>2.00</td>
<td>248</td>
<td>621</td>
</tr>
<tr>
<td>Tbilisi</td>
<td>18</td>
<td>4.43</td>
<td>2.00</td>
<td>221</td>
<td>554</td>
</tr>
<tr>
<td>All other SC</td>
<td>31</td>
<td>5.88</td>
<td>2.00</td>
<td>294</td>
<td>715</td>
</tr>
</tbody>
</table>

The reader will note the considerable convergence of median hourly earnings from private work among northern cities (Kishinev excepted), and relative closeness of the figures for Erevan and Tbilisi. Unfortunately some of the
city samples are not as large as would have them. At this point, we cannot explain the very high figures for Kishinev and for "all other southern cities".

The figures for northern cities in column (D) tend to agree quite well, though for somewhat later period in the 1970s, with the Ofer/Vinokur finding, cited in 1. above, that hourly pay in the private sector is "close to four times" (actually, 3.7 times; see their Table 2.) as high as the average rate of pay (of their sample population) in the official sector. The O/V survey did not include southern cities.

In sum, the absolute values of our estimates of HRULSE, and their ratios to the official minimum and average wages, do not strike us as being clearly implausible.

Prices of "left haircuts"

Let us now take a quick look at the level of haircut prices in the other institutional arrangement, the "left haircuts" of privately working barbers. As mentioned, we have only 65 observations of this kind: 21 are for Erevan, 17 for the whole North, of which 9 are for Leningrad, and 17 for the South other than Erevan. Those who patronize such private barbers do so either because a "socialist" barber shop is not within easy reach, which is unlikely in the larger cities, or because they desire better or different service, or shorter waiting period. The last seems to be an important consideration. Prices so paid are, of course, uncontrolled, "free".

Our findings for the two cities are (in kopeks per haircut):

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>s.e.</th>
<th>Median</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leningrad</td>
<td>9</td>
<td>333.3</td>
<td>44.1</td>
<td>300</td>
<td>500</td>
</tr>
<tr>
<td>Erevan</td>
<td>21</td>
<td>271.4</td>
<td>27.7</td>
<td>300</td>
<td>500</td>
</tr>
</tbody>
</table>

Comparing the above table with Table 1., we find that the price paid to private barbers tends to be considerably higher than the total payment given in the barber shop -- a conclusion that would not surprise anyone with first-hand experience. One goes to a private barber for better service with less waiting. For Leningrad: the "left haircut" mean is 73 percent higher than the barber-shop total-payment mean (Table 1.), and the difference between the two is significant at the 0.01 level; the median is twice as large. For Erevan: 28 percent and 0.05, respectively, and the median is 50 percent larger. Why are private haircuts relatively -- as well as absolutely -- cheaper in Erevan than in Leningrad? Is it because the supply is greater in the South, in line with the greater development of the second economy there? This much is suggested by data on barbers' private earnings in Table 4.

Should we take the prices of "left haircuts" as the closest expression of free haircut prices in the USSR, the resultant measures of hourly pay of unskilled labor in the second economy would be considerably higher than those derived in the preceding section. For the two cities in the above text table (bearing in mind the very small samples and, again, rounding): Leningrad -- 3.00-3.75 rubles per hour of unskilled labor, or 7-9 times MHW; Erevan -- 2.70-3.00 rubles per hour, or 6-7 times MHW. However, our sample of "left haircuts" is limited for practical purposes to only these two cities, and for
both it is small. Hence, we put it aside and proceed to our next topic, barbers' incomes as a micro-case of second-economy incomes.

Barbers' Incomes

In the USSR, the income of a barber or hairdresser employed in a barber shop consists of not two but three or four elements: (1) a modest official salary, (2) the tips, (3) -- apparently for many barbers -- a part of the state's rightful revenue misappropriated by him/her, and (4) side income from moonlighting as a private barber. So far as (3) is concerned, there is both ample opportunity for such misappropriation and considerable evidence of its occurrence in the tales of emigres. To wit: "A woman hairdresser from Minsk explained that she worked in "her" little hairdressing shop . . . as if it were her own: . . . she paid into the official cash register the necessary sum and the rest was her own ("two rubles to the state, three rubles for me")".20

But perhaps the most vivid account in print is to be found in a work of fiction by the well-known emigre writer, Efraim Savela. The locale is Melitopol', a medium-sized Ukrainian town, the time -- apparently the 1970s, the place -- a barber shop in the Soviet sense (including ladies' hairdressing), and the hero is a ladies' hairdresser, one of three barbers and hairdressers in the establishment. The three jointly pay a bribe of 500 rubles a month to the local police chief. Why? "Even an infant would understand. . . . Every Soviet barber or hairdresser, when collecting the [official] price from a customer, once in every three instances puts it into the state's till (kassa), and twice into his own pocket. To keep this fact quiet one must grease someone's palm. We were not pikers and paid the bribe at the very top, to the militia chief. This provides complete security, like being in God's own lap. And to scrape together 500 rubles a month was a cinch for the three barbers in our shop. They were responsible people; withheld the amount from themselves as though it were a tax."21 Savela's barber, like his famous counterpart from Seville, did not restrict his attention to the narrow bounds of the venerable trade, but an account of his ribald adventures has no place in this scholarly paper.

Next, we hear from one of the interviewees in the Grossman-Treml survey, a hairdresser who volunteered the following explanation of his private income: "I dyed, cut, and set hair. By agreement with the client I billed her [formally] for only a part of the procedure. The rest I took in cash, directly, by-passing the till. I did this only with regular clients, those who would give me no trouble" (G4-81-0521).

Finally, an authoritative confirmation (referring to an unstated date but, judging from the context, pertaining to Tallin or the Estonian republic): "... during [on the spot] barber-shop inspections, cash receipts at times (byvaet) are double [the usual level] (Izvestia, 19 August 1985, p. 3). Service establishments in general, and barber shops in particular, are easy targets for dipping into the till by their personnel, for they have neither output inventories and shipments nor significant recorded supplies against which their production can be audited. Consequently, we are not surprised to hear of barbers' and hairdressers' jobs being purchased for bribes. For example, in Kiev in the late 1970s, a barber's job could be bought for about 200 rubles (private information). One is tempted to ask: why not more? Oversupply of jobs for sale in this and other trades? Large bribes and kickbacks to be paid later from barbers' current earnings?"
To see how the Soviet public at large perceives barbers' informal and illegal earnings and incomes ("left incomes" in Soviet parlance) we turn again to the Grossman-Treml survey. Our questionnaire asked respondents to give their opinion of "left" incomes for three dozen named occupations, professions, and jobs, but barbers were not on that list. We also invited respondents to write-in other occupations of their choice, up to a maximum of five, and (as with the three dozen listed ones) to check the range in which, in the respondents' perception, the average monthly "left" income of the written-in occupations fell. Almost without exception (and not surprisingly) respondents wrote-in occupations which, in their everyday experience, brought high "left" incomes, though we did not expressly invite them to do so. Of the total of 6,187 individual write-ins by 1,970 respondents, 322 mentioned barbers (in Russian, therefore including hairdressers), cosmeticians, and other barber-shop trades. In the Soviet occupational classification these fall into the category "barbers, hairdressers, make-up and cosmetic specialists, and manicurists", Occupation 382. On the assumption that essentially all specialties within this category receive approximately the same official salaries and most likely also very similar "left" incomes, and to garner the benefits both of a larger sample and of better comparability with Soviet statistics, we shall deal hereonout with occupation 382 as a unit, rather than with barbers alone (though we may occasionally refer to it as "barbers, etc.").

As it happens, occupation 382 was cited by our respondents more often than any other. The 322 mentions of 382 are 5.2 percent of the total of 6,187 individual write-ins. Respondents from northern republics as a group (all republics except those in Central Asia and Transcaucasia), N = 1,236, cited it 247 times (5.1 percent of all write-ins), while those in the southern republics did so as follows (in this order: number of respondents, times 382 was cited, percentage of all write-ins for the given republic):

<table>
<thead>
<tr>
<th>Republic</th>
<th>Number of Respondents</th>
<th>Times 382 Cited</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>507</td>
<td>40</td>
<td>3.3</td>
</tr>
<tr>
<td>Azerbaidzhan</td>
<td>73</td>
<td>11</td>
<td>5.5</td>
</tr>
<tr>
<td>Georgia</td>
<td>79</td>
<td>12</td>
<td>4.4</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>75</td>
<td>10</td>
<td>7.0</td>
</tr>
</tbody>
</table>

It should be noted in this connection that while the respondents from Armenia are largely ethnic Armenians,23 those from the other three southern republics are all "northerners", mostly Jewish, who resided in the South.

In the case of 318 of the 322 mentions of occupation 382, we have respondents' estimates (perceptions) of the average monthly "left" incomes (which they did by checking one of eight columns representing income class intervals, ranging from "practically none" to "over 300 rubles/month"). By taking midpoints of intervals to stand for the intervals (and 500 r./mo. to stand arbitrarily for the open-ended uppermost interval) we computed mean and median values of these perceptions for three "zones" of the USSR: the North (as just defined), Armenia, and the South other than Armenia. The reasons for distinguishing Armenia from the rest of the South are that our sub-sample for Armenia (a) is relatively large24 and (b) is different in that it consists mostly of ethnic southerners while that for the rest of the South does not, as just noted. Further, the respondents from the North were asked to state their perceptions with reference to the USSR as a whole (which practically meant the North, given that this is what they knew best and that the urban population of the North accounts for 86.1 percent of the total Soviet urban population25). Respondents in the South were asked to give their perceptions with reference to the respective republic.
Table 2 summarizes the findings. The reader will notice the contrast between Armenia and the other two zones. The mean for Armenia is more than double that for the "North", 381.8 vs. 172.1 rubles per month. The difference between them is significant at the 0.01 level; in other words, the two means most likely come from two distinct statistical "universes". This sharp contrast between the level of values, perceived or actual, in and for Armenia and in and for the North will be a leitmotiv for the remainder of this paper.

Bearing in mind that the net (after-tax) official salary of a barber at the time (middle and second half of the 1970s) was just about 100 r./mo. in all three zones, 26 our northern respondents in effect were perceiving a total net income (official + "left") of about 280 r./mo., a figure that is almost double the all-Union net official average wage/salary of about 145 r./mo. in 1977. But our respondents from Armenia were in effect perceiving a barber's total net income of about 480 r./mo., or 3.3 times the 145 ruble figure.

Back to Table 2, the mean perception by respondents from "South other than Armenia", all of whom were in fact migrants from the North, is almost identical

| Source: Grossman-Treml survey. |
| a. Mean value of "over 300 r./mo." class arbitrarily assumed to be 500 r./mo. |
| b. "Occupation #382" comprises "barbers, hairdressers, make-up and cosmetic specialists, and manicurists". |
| c. Respondents in the North (USSR other than South, which is defined as Central Asia (incl. southern Kazakhstan) and Transcaucasia) were asked to indicate the income perception for the USSR as a whole. Those in the South were asked to indicate their perceptions for the respective southern republics. |
| d. Predominantly ethnic Armenians. |
| e. This "zone" consists entirely of "northerners" who resided in the South (specifically, in Georgia, Azerbaijan, Uzbekistan, and southern Kazakhstan) previous to emigration from the USSR. |

| Table 2 Average Monthly "left" incomes$\dagger$ of Barbers, etc., (Occupation #382), as Perceived by Respondents Who Wrote-In this Occupation$\dagger$, by Zone$\dagger$. |
|---|---|---|---|
| | N | Mean $\bar{H}$ | Median Md |
| | | rubles./mo. | $\mu \pm \sigma$H | r./mo. |
| North | 244 | 172.1 | 10.7 | 75 |
| Armenia$\dagger$ | 40 | 381.8 | 26.8 | 500 |
| South other than Armenia$\dagger$ | 34 | 177.1 | 20.8 | 150 |
| Total | 318 | | | |

27 28
with the mean for respondents from the North: 177.1 as compared with 172.1 rubles/mo. (even though the same respondents from the South or their male relatives were spending for haircuts and tips at the (higher) southern level, as shown in Table 4.) We surmise that the northerners living in the South brought their perceptions of the levels of "left" incomes with them, and were insufficiently clued into the southern second economy to change them.27

As mentioned, the figures in Table 2. derive from perceptions volunteered (written in) by the respondents themselves. Since, in this context, respondents tend in this context to write in occupations with relatively high perceived "left incomes", there may be some upward bias in the figures. Those who failed to mention occupation 382 may have done so because their perception of the "left" incomes of barbers, etc., may have been less impressive; or, being limited to only five occupations in the open-ended part of the question, chose other, equally impressive, examples; or for some different reason, such as absence of any perception. At any rate, the figures in Table 2. are, at best, upper bounds of the respective means.

Our questionnaire also asked every respondent who had or had had an occupation to attempt an estimate of the average monthly "left" incomes of persons in his/her own occupation. This was a fixed question, not an open-ended one. (As in the previous case, however, respondents in the North were asked to give their perceptions with reference to the USSR as a whole; those in the South, with reference to the republic of respondent's residence.) In the case of occupation 382, 44 individuals have answered the question (Table 3.). Thirty-one of these are northerners, 7 from Armenia, and 6 from a number of other southern republics. Thus, all three sub-samples are small, particularly the last two.

<table>
<thead>
<tr>
<th>Respondents by Zone</th>
<th>H</th>
<th>s.e.</th>
<th>Md</th>
<th>Percent &gt; 300r.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents in northern republics answering with reference to all USSR</td>
<td>31</td>
<td>68.7</td>
<td>9.14</td>
<td>75</td>
</tr>
<tr>
<td>Respondents in Armenia answering with reference to Armenia</td>
<td>7</td>
<td>327.4</td>
<td>67.4</td>
<td>250</td>
</tr>
<tr>
<td>Respondents in southern republics other than Armenia answering with reference to the respective republics</td>
<td>6</td>
<td>119.3</td>
<td>20.3</td>
<td>150</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Grossman-Treml survey.

a. "Occupation 382" comprises "barbers, hairdressers, make-up and cosmetic specialists, and manicurists". Of the 44 respondents in this category, 26 were barbers or hairdressers.
b. Percent of respondents in the given zone who gave "over 300 rubles per month" as their perception of average "left" income of people in their own occupation.
c. One from Azerbaijan, 3 from Georgia, 1 from Uzbekistan -- all "northerners" who were residents of these republics before emigration.
d. These values are computed by arbitrarily assuming that the mean value for the "over 300 r./mo." class is 500 r./mo.
and only a moderate amount of confidence can be placed in the figures. The expected pattern is maintained: Armenian respondents indicated much larger "left" incomes for their fellow barbers, etc., in the republic than did both the northerners for the USSR as a whole and the other southerners for their respective republics. For all three zones, members of occupation 382 generate lower estimates of mean "left" incomes of their own trade (Table 3.) than does the public at large (Table 2.).

For Armenia, the mean value in Table 4. comes within only 15 percent of that in Table 2., and the difference is not statistically significant (though we cannot overlook the arbitrary setting of the mean value of the uppermost income class at 500 r./mo). Thus, for Armenia, the trade's perception does not clearly disagree with the public's. The same is true of "South other than Armenia".

In regard to the North, the difference of means in Table 2. and Table 4., 172.1 vs. 68.7, is significant at the 0.01 level. In this case it appears that the trade's opinion of its own "left" incomes is significantly lower than that of the public at large, and the public can be said to considerably overestimate the "left" incomes of barbers, etc., and to continue to tip generously nonetheless. (Interestingly, the medians for North in the two Tables coincide, suggesting that the public estimation of barbers' "left" income is highly skewed upward, and it is the upper tail of this distribution, rather than the bulk of public opinion, that is responsible for the just-mentioned overestimation.)

Barbers' incomes, actual

So much for perceptions. How much did barbers, etc., actually earn in the mid- and late 1970s? The findings of the Grossman-Treml survey on this score are summarized in Table 4. Of a total of 1,824 individuals in the sample who indicated their occupations, 45 (2.5 percent) identified themselves as 382 (barbers, etc.). Of these 45, 29 are from the North, 7 from Armenia, and 8 from southern republics other than Armenia. For the present purpose we distinguish three kinds of income: (i) official salary (including premia, etc.) net after tax; (ii) private earnings from work for private persons, much of it as a kind of professional moonlighting; and (iii) "other income", declared by the respondent on the questionnaire but not further identified. The last income category, if sizeable, is almost certainly the "left" kind and, inter alia, presumably contains both tipping and dipping. Thus, both (ii) and (iii) are forms of "left" income in Soviet parlance, and the two together constitute "total 'left' income", which, when added to the official salary (i), constitute a barber's "total income" in our Table. Transfer receipts from the state, such as pensions, are not included.

It should be noted, however, that some or even all of the "left" income reported by a barber, etc., on our questionnaire could have been obtained from non-barbering activities. We have no way of knowing this as a rule, and so we assume that all "left" income declared by members of occupation 382 was in fact obtained in connection with barbering or closely related activities in informal or illegal ways. On the other hand, persons identifying themselves in occupations other than 382, and therefore falling outside of our purview in this investigation, could also have received "left" incomes of a barbering kind, such as moonlighting as hairdressers or men's barbers.
Table 4 (contd)

Source: Grossman-Treml survey.

a. "Occupation 1382" comprises "barbers, hairdressers, make-up and cosmetic specialists, and manicurists." Of the 45 respondents in this category, 27 were barbers or hairdressers.

b. Salaries net of taxes withheld at work.

c. Earnings from private work for private persons, presumably mostly moonlighting as barbers, hairdressers, etc.

d. Entries in parentheses refer only to those persons who had positive earnings or incomes of the designated type.

e. Unspecified. Presumably includes tips and misappropriation of state's money and property. May also include income unrelated to barbering.

f. One person had no official salary because retired, but had income otherwise.

g. Of the eight respondents in this group, 3 are from Azerbaidzhan, 3 from Georgia, and 2 from Uzbekistan.

Table 4

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Monthly Official Salary</th>
<th>Private Earnings</th>
<th>Total Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barber</td>
<td>200.0</td>
<td>50.0</td>
<td>250.0</td>
</tr>
<tr>
<td>Hairdresser</td>
<td>100.0</td>
<td>70.0</td>
<td>170.0</td>
</tr>
<tr>
<td>Make-up</td>
<td>50.0</td>
<td>20.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Cosmetician</td>
<td>30.0</td>
<td>10.0</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Table 4 (contd)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Monthly Official Salary</th>
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<td>20.0</td>
<td>70.0</td>
</tr>
<tr>
<td>Cosmetician</td>
<td>30.0</td>
<td>10.0</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Note: Grossman-Treml survey data. "Occupation 1382" comprises "barbers, hairdressers, make-up and cosmetic specialists, and manicurists." Of the 45 respondents in this category, 27 were barbers or hairdressers. Salaries net of taxes withheld at work. Earnings from private work for private persons, presumably mostly moonlighting as barbers, hairdressers, etc. Entries in parentheses refer only to those persons who had positive earnings or incomes of the designated type. Unspecified. Presumably includes tips and misappropriation of state's money and property. May also include income unrelated to barbering. One person had no official salary because retired, but had income otherwise. Of the eight respondents in this group, 3 are from Azerbaidzhan, 3 from Georgia, and 2 from Uzbekistan.
In Table 4, statistics not in parentheses refer to the N of the whole sub-sample of each zone (panel of the Table), i.e., taking into account zeros and missing values as well as positive values. Those in parentheses refer to positive values only. Thus, for example, in the panel marked "North", line C indicates that 13 persons in this zone had positive income from "private earnings", and that the mean amount for the 13 was 139.6 rubles per month. But there are altogether 30 persons in Zone North, meaning that 17 had no private earnings, or at least declared none; hence, line B. shows that, spread over all 30 persons, the mean value of private earnings was 60.5 rubles per month.

Two things immediately strike the eye as it falls on Table 4. First, the official net salary is approximately the same in all three zones, several rubles above or below 100 r./mo. Now, in the mid- or late 1970s, a monthly net salary of about 100 rubles per month, though substantially above the minimum wage of 70 r./mo., was also considerably below the nation-wide average net wage/salary of 145 r./mo. Most emigrers would doubtless characterize it as not a living wage, especially with dependents in the family, one that would force its recipient to look for supplementary sources of income. Second, the supplementary sources of income reported by our respondents in each zone are large in relation to the official salary, and vary greatly in total amount between zones. They are all of the "left" (informal, illegal) kind; none of our 45 barbers, etc., reports any earnings whatsoever from additional lawful employment. We proceed to discuss the three panels separately.

North. One of the 30 northern respondents had no official income, but we leave him in because he may not be unrepresentative of a certain fraction of barbers, etc. Total "left" income per each of the 30 equalled their average official net salary, 105.8 vs. 105.2 r./mo., thereby doubling the average take-home pay. The mean total income from all sources, 211.0 r./mo., some 45 percent higher than the average official after-tax wage/salary of 145 rubles in the USSR in 1977 (supra). This is not a low average income per earner, if not a notably high one. However, we suspect it to be under-reported by the respondents -- specifically, in regard to "other income".

It will be recalled that tips belong in "other income". Yet almost half the barbers in the first panel of Table 4. -- 14 out of 30 -- report no "other income", implying no tipping (and no dipping) at all in an average month of the given year. This is hard to believe in view of the Soviet custom to tip generously in barber shops. One is led to suspect that either our sub-sample of 30 is unrepresentative in this respect, or the 14 respondents were deliberately reticent on this point. If, by way of mental experiment, we assume that the 14 did in fact have "other income" and set it at an average of 32.3 r./mo. -- that is, half the mean level for the 16 who did report it (line I.E.) -- the means for the whole sub-sample of 30 go up as follows (r./mo.): "other income" - from 34.4 to 49.5, total "left" income - from 105.8 to 125.2; total income - from 211.0 to 226.1.

Armenia. Keeping in mind that our Armenian sub-sample in Table 4. (like that for the rest of the South) is very small, we may note certain interesting aspects of the level and structure of this group's income. While the official salary of Armenian barbers was close to -- even 10 percent smaller than -- that of northern barbers (lines A.), their total "left" income was three times as high (lines F.) and their total income, twice as high (lines H.). (The differences of the means for both total "left" incomes and total incomes are significant at the 0.01 level.) On the average, Armenian barbers, etc., earned privately 121.6 r./mo. more, and 94.2 r./mo. more as "other income" than their
northern counterparts (lines B. and D.), and altogether 216 r./mo. more in total "left" income (lines F.) For the Armenians, "left" income more than quadrupled their official salary, bringing their total income to double that of the northerners. Perhaps Armenia can, with some reason, serve as proxy for all of Transcaucasia.

Were (are) Transcaucasian barbers twice as well off as those in the North in terms of current income and earnings (lines H.)? This is difficult to say. Such factors as traditional local consumption patterns, demographic structures, and climatic conditions apart, both the structure of effective consumer prices and the availability of consumer goods have differed, and continue to differ, between the portions of the USSR north and south of the Caucasus range. By all indications, there is little doubt that consumer goods have been more readily available in Transcaucasia than in the North as a whole, owing in part to natural conditions (e.g., food) and in part to a more developed second economy. Some consumer goods' prices doubtless have been lower in Transcaucasia, thanks to a more bountiful nature and ample black production. Some prices, on the other hand, must have been higher there, owing to the greater pressure of purchasing power (e.g., services; cf. haircuts infra) or to their being imported via black channels from the rest of the Soviet Union. A full accounting of price levels and ratios, and of relative availabilities, remains to be done. But our data on total incomes of one, not unrepresentative, occupation, that of barbers, etc., and on the spending of their customers, do not seem to refute the prevalent impression of Soviet emigrants and outside observers that Armenians (and other Transcauscarians) "live much better" than the people of the northern republics, official data on official earnings notwithstanding. 31

Concluding Summary

This paper has sought to estimate the remuneration of an hour's unskilled labor in the Soviet second economy in middle and late 1970s. Since this could not be done directly, resort was made to (what we have called) Fourastié's law, an empirical regularity between such remuneration and men's haircut prices in market economies. In addition, barbers' earnings and incomes -- official, "left" (informal and/or illegal), and total -- as actually earned and as perceived by the public, have been estimated. The data come largely from the Grossman-Treml questionnaire survey of over 1,000 emigre urban families. Some of our sub-samples are fairly large, others are perforce quite small. (How many

South other than Armenia. Let us recall again that the barbers, etc., in this group are all transplanted northerners who happened to live and work in the South before emigration. Their official net salary was approximately the same as for the other two groups. In regard to total "left" income 32 and total income they fall between Armenia and North, which is perhaps not surprising. We may surmise that, on one hand, these transplanted northerners benefited from higher tips (infra) and a putatively greater development of the second economy in the South; on the other hand, being northerners, they may have found it difficult to fully partake of the local informal economy.

In regard to "total income", the difference between the mean for the North and that for "South-minus-Armenia" (211.0 and 264.1, respectively) is not significant (t=1.07); the difference between Armenia and "South minus Armenia" (419.0 and 264.1, respectively) is significant at the 0.05 level.
Armenian barbers can there be even in a thousand-family sample drawn from all walks of life and the whole Soviet Union? We are glad to have the seven.

If our results are rough, so surely is the reality of prices and incomes in the ubiquitous and protean second economy of that vast land. We can say, with Adam Smith, that the reality we aim to gauge is "adjusted ... not by any accurate measure, but by the haggling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life".

Identifying the official hourly wage of unskilled labor in the first economy with the minimum hourly wage (MHW), augmented by employer's social insurance contributions, we take it to have been about 0.43 rubles. Following Fourastié's law, we then obtain the following estimates of hourly remuneration of unskilled labor in the second economy (HRULSE) in the mid- and late 1970s, by location, (Table 1.):

- In Moscow, 1.80 to 2.25 rubles (4.5 to 5.3 times MHW);
- In other northern republic capitals and in Leningrad, 1.50 to 2.00 rubles (3.5 to 4.7 times MHW);
- In other cities and towns in the North, 0.80 to 1.60 rubles (2.3 to 3.8 times MHW), depending on population size;
- In the capitals of Transcaucasia, 1.90 to 2.15 rubles (4.5 to 5.0 times MHW).

By comparison, the average official wage or salary in 1977, net after taxes, was about 0.80 rubles per hour, while the median hourly remuneration from private work (Grossman-Treml survey, unweighted) was about 2.30-3.00 rubles in northern cities, and almost 5 rubles in Erevan.

We find that barbers (and similar specialists) earned on the average the low official salary, net after taxes, of about 100 rubles per month throughout the USSR, but, with the addition of "left" income, this was doubled for those in the North (i.e., north of the Caucasus range and Central Asia), and as much as quadrupled for those in Armenia (proxy for all of Transcaucasia).

The public at large, i.e., our total sample, generally perceived these incomes to have been higher (Table 4.). Nonetheless, it tipped generously, possibly thanks to a conventional notion of what total payment per haircut ought to be in relation to other market values in the second economy. The total payment per haircut, tip included, ranged from one to over two rubles, depending on location and whether one looks at means or medians.
Footnotes to "Tonsorial..."

1. We are pleased to express appreciation to the following persons: Dmitry Bosky and David J. Sedik for research assistance, David J. Weinberg for computer work, and Bent Hansen, Leonid Khotin, Gur Ofer, Vladimir G. Treml, Peter Wiles, and Dr. and Mrs. Eugene Zaleski for advice and comments. All responsibility rests with us. We also take this opportunity to express gratitude for financial and material support of this research to the Ford Foundation, Wharton Econometric Forecasting Associates (Planned Economics Unit), and the Department of Economics and the Center for Slavic and East European Studies, both of the University of California, Berkeley.

2. A fine summary survey of methods used in or proposed for measuring Western hidden economies and their critique will be found in Frey/Pommerehne: 1984. Some of these methods are not suitable in the Soviet case for lack of data, and because of specific Soviet circumstances, such as repressed inflation, universal price and wage control, and the crucial importance of theft from the state to fuel the second economy. For a stimulating discussion of measurement problems in regard to the Soviet second economy see Wiles: 1982.

3. Shenfield (1979) arrived at this conclusion after a close study of the statistical methodology underlying Soviet kolkhoz-market sales statistics. Ofer and Vinokur (1980) and Treml (1985) arrived at the same conclusion empirically from their respective questionnaire surveys of consumer spending conducted among Soviet emigrants.

4. One is reminded of the quip that in the transition to full communism "the state will not wither away, it will be pilfered away". With a sarcasm un-

5. Cf. Treml, "Alcohol in the Soviet Underground". The wage bargain is struck and payment taken in vodka in part so that the acquisition of vodka will circumvent the family purse and the wife's scorn, in part to shorten the lag of gratification behind effort, and in part possibly to protect the worker against a "devaluation" of the ruble in relation to vodka. It may be fairly said that in the worker's mind the ruble is on a vodka standard.

6. A fuller though still concise description of the questionnaire survey can be found in the Introduction to Issue No. 1 of the Berkeley-Duke Occasional Papers on the Second Economy in the USSR (1985), available on request from the present author.


8. The striking numerical value of the ratio, 1:1, is of course a curiosum and of little significance compared to the ratio's supposed approximate constancy over time and space.

10. Soviet statistical sources rarely give the breakdown between communal and departmental barber shops. Those for Erevan, fortunately, do (Erevan: 1980, pp. 111-112). At the end of 1977, that city had altogether 133 barber shops (incl., as we have already noted, ladies' and mixed establishments); of these, communal ones numbered 124, or 93 percent.


12. "North" is USSR less Transcaucasia and Central Asia.

13. Once again, the respondents' answers refer to the last normal year before the family's emigration from the USSR.


16. The minimum wage augmented by employer's social insurance payments, per work hour, in 1977 is computed as follows. In that year, the official minimum wage proper was 70 rubles per month. To this we add the proportional share of social insurance payments, computed as the ratio of the total of such payments into the state budget (12.4 billion rubles, BR) to the aggregate national wage bill. The latter is obtained by multiplying the average monthly gross wage/salary (155.2 r.) by the average monthly number of workers and employees (106,393 thousand), and further by 12 to obtain the year's wage bill of 198.146 BR. 12.4 BR / 198.146 BR = 0.6258 percent; 70 r. x 1.06258 x 12 = 892.567 r. (All data from Narodnoe khoziaistvo SSSR v 1977 g.) The last is, then, the annual equivalent of the minimum wage augmented by social insurance contributions from the employer. In 1977, the officially determined number of work hours was 2,089 (Economicheskaya gazeta, 1997:1, p. 24), which, divided into 892.567 r., gives us the minimum wage per work hour, 42.73 kopeks.

17. The increasing shortages and the rising free prices after 1979 may have been occasioned not only by production slowdowns and bottlenecks but also by the related acceleration in currency issue. The case is argued in Grossman: 1985.


19. The figure 0.80 is computed as follows. In 1977, personal income tax revenue was 19.3217 BR, "bachelor tax" revenue was 1.1611 BR, and the two together were 20.4842 BR (Ministerstvo finansov SSSR. bludzhetnoe upravlenie, Gosudarstvennyi bludzhet SSSR i bludzhety soiuznykh respublik, 1976-1980 gg., Moscow, 1982, p. 11), which was 10.337 percent of the wage bill of 198.146 BR in that year (see n. 29, supra). The mean after-tax hourly wage thus was (again see n. 29): 155.2 x 12 x (1-0.10337) = 2,089 = 0.7994 r./hr., rounded to 0.80. A very small part of the just-mentioned taxes may apply to persons other than the "workers and employees" to whom...
the wage bill refers, which means that the 0.80 figure may be slightly understated.


22. "Tailors and seamstresses" are a close second with 320 mentions.

23. Because of Soviet emigration policy, nearly every Armenian emigrant family in our sample contains at least one so-called repatriant, an ethnic Armenian who immigrated into Soviet Armenia from some foreign country in the second half of the 1940s. Many of them repatriated at a young age and reached maturity in the USSR.

24. 20.9 percent of the households and 22.1 percent of the individuals comprised in the Grossman-Treml sample are from Armenia. Of course, the Armenian share of all respondents answering a particular question may be quite different, as is the case in the tables that follow. At the end of 1977, only 1.2 percent of the Soviet urban population lived in Armenia.

25. The percentage refers to the end of 1977; it omits all Kazakhstan from "North".

26. Cf. Table 3., infra. In areas of hardship or frontier settlement the salary was significantly higher, but these are of minor significance nationally.

27. This broadly agrees with Lubin's finding that the European population in Soviet Central Asia is less involved, or less successful in becoming involving in the second economy. Lubin : 1984, Ch. 6. The difference between the means for Armenia and "South other than Armenia" is significant at the 0.01 level.

28. The moonlighting can actually take place right in the socialist barber shop.

29. Incomes refer to the last normal year before emigration from the USSR.

30. It is possible that some of those who reported no "other income were in fact concealing rather high income of this sort, and that those who reported were understating.

31. Higher actual living standards in Armenia and Georgia than in most of the North in contrast to official figures, were computed and published by Peter Wiles (1982, Appendix II), as part of an imaginative adjustment of the official per-capita consumption figures for all republics.

32. The reader will notice that "left" income received by the "South-minus-Armenia" barbers, etc., consists almost entirely of "other income" and only to small extent of "private earnings". The sub-sample is small and the meaning of the fact is not clear.

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