

## THE GDP DYNAMICS AND QUALITY OF LIFE IN CENTRAL AND EASTERN EUROPEAN COUNTRIES SINCE JOINING EU

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**Purpose** – Positive economic dynamics measured in annual GDP growth (particularly the GDP per capita) has been presented for a long time as a synonym of the successful socioeconomic development. Over last decade however the scientific literature, as well as civil society, have raised the questions whether this indicator is reliable in reflecting the social progress in countries and regions and evaluate the quality of life of their people. The purpose of the paper is to highlight this problem and to underline the need for new tools measuring and mapping the people’s wellbeing.

**Design/methodology/approach** – Economic and social progress in individual countries will be measured in respect to its convergence toward the older EU economies, in respect to the national levels in employment and unemployment as well as to the national households’ income situation and income differentiation and poverty incidence.

The model developed (by Sala-i-Martin)  $\text{Log}(Y_{it}/Y_{i,t-1}) = \alpha - \beta * \text{Log}(Y_{i,t-1}) + u_{it}$  (1) has been adopted for to study both,  $\beta$ -convergence and  $\sigma$ -convergence.

For detailed study on income distribution we adopted model  $F(Y, \mu, \sigma) = \frac{1}{\sigma\sqrt{2\pi}} \exp\left\{-\frac{(\ln x - \mu)^2}{2\sigma^2}\right\}$ .

For the overall evaluation and comparative study of the results in economic growth and social progress the multidimensional statistical analysis (cluster analysis and factor analysis) has been employed.

The Eurostat data (<http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>) as well as some



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data of the national statistical offices enabled us to go into deeper analysis and comparative studies.

**Findings** – Almost all new EU member countries (Bulgaria, Cyprus, Czech republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia) showed during the first years of their membership in EU quite good results in economic growth and they achieved relatively high GDP growth. Among the Baltic states, Slovakia and Poland could be named. All new EU member countries demonstrated the successful economic convergence with the higher developed EU economies. The convergence models confirmed existence of both,  $\beta$  and  $\sigma$  convergence on the country levels. However, in more detailed analysis, it was found that rarely these two forms of economic convergence existed on the lower levels of regions (inside the individual countries). Particularly the  $\sigma$  convergence was not generally observed. The economic crisis almost equally (except Poland) hit also the new EU member countries. Among those hit by the deepest recession the Baltic States (Estonia, Latvia and Lithuania) should be mentioned with fall in GDP per capita over 2008-2009 (14%, 13% and 16%).

Our study also showed that across all these countries the social progress has not copied the successful path of the economic growth. The particular problems almost in all these countries are – high unemployment, namely in category of the young people and graduates of schools and universities. This situation has remained almost unchanged since that time. The Bulgaria, Romania, Slovakia, Latvia and Lithuania even recently report overall unemployment between 30-50 %.

As a consequence, the growing proportion of population is falling under the poverty threshold. The highest proportion of people living under poverty line is reported in Bulgaria (22,3%), Romania(22,2%) and Baltic States (17%-19%).

**Research limitations/implications** – The research has been done with the kind support of the Slovak Statistical Office and School of Economics and Management. Also the aggregated Eurostat data has been broadly used. For the future the more deeply oriented analysis would require the micro data on the income and social situation of the individual households for all studied countries. The cooperation with University Primorska, particularly with professor Stefan Bojnec is gratefully recognized.

**Practical implications** – The result of this research has been presented at several national and international academic conferences, as well as for various civic societies and NGOs. Paper has been submitted also to the relevant national administrative and decision making bodies. Particularly those sections devoted to calculation of the social deficit toward the households living under poverty line, jeopardized with the social

exclusion. The majority of the data and methodological outputs are available for use in teaching.

**Originality/Value** – This paper is based on the authors own data mining and calculations. The various data extracted from recognized sources are used for comparative purposes.

**Keywords:** economic growth, GDP, GDP per capita, household income, equalized size of household, poverty line, income inequality

**Research type:** research paper