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The European Union: Was it worth it?

What?

Econometric analysis of the determinants of GDP per capita growth

Where?

Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovenia, Slovakia

How?

This study employs assumptions from different theoretical and empirical works on economic growth. The most important are the neoclassical concept of conditional convergence[1] (the effects past conditions have on future growth), Robert Barro's[2] endogenous growth assumptions about the importance of education and institutions, and panel data analysis methodology inspired by Prochniak[3] and Kahouli & Kadhraoui[4].

Why?

The recent global recession and the tightly connected crisis in the Eurozone have shaken up the european integration project that is the European Union to the core. Concerns have been raised about its ability to cope with the growing and, a lot of times, differentiating needs and views of its member states, given the challenging political environment of rising populism and euroscepticism. So far, research has focused mainly on the determinants of EU growth overall, or singular factors such as FDI and funds. Conversely, this research asks which factors - domestic and/or European, have had a significant effect on domestic growth.

Results

Determinant tested	Effect on growth	Significance X out of Y models
Tertiary education	-	4/9
Migration	+	4/9
Trade openness	+	5/6
Exports	-	4/4
Imports	+	4/4
FDI	+	3/9
Government efficiency	+	9/9
Crisis	-	8/8
EU Funds	-	1/4

Conclusions

- The most important positive effects of economic integration are increased productivity and efficiency of institutions/markets
- These effects are less tangible than the promised exponential growth of incomes/living standards
- EU funds might not have a direct effect on growth
- There are still persisting disbalances and some negative externalities of trade on the national level
- There is substantial role for national policy
- Motifs of Eurosceptic/Nationalist calls for less integration are ultimately misguided, as results confirm an overall improvement of economic indicators since accession

1.Mankiw, N., Romer, D. and Weil, D. (1992) A CONTRIBUTION TO THE EMPIRICS OF ECONOMIC GROWTH, The Quarterly Journal of Economics, 107(2), pp. 407-437
2.Barro, R. (1997). *Determinants of economic growth : A cross country empirical study* (Lionel Robbins lectures). Cambridge, Mass. ;London: MIT Press.
3. Prochniak, M. (2011) Determinants of economic growth in Central and Eastern Europe the global crisis perspective, Post-Communist Economies, 23(4), 449–468
4. Kahouli, B., & Kadhraoui, N. (2012). Consolidation of Regional Groupings and Economic Growth Empirical Investigation by Panel Data. International Journal of Euro-Mediterranean Studies, 5(1), 71-92.
5. Background picture - https://pixabay.com/bg/users/Clker-Free-Vector-Images-3736/