ANALYSIS OF RELATIVE PROSPERITY IN ROMANIA AND SLOVENIA USING THE BEING-LOVING-HAVING MODEL

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Abstract

The study aimed to verify Allardt's prosperity model in the field of economic prosperity based on the notions of being, loving and having and to explore the existence of possible correlation among sets of all three variables. Canonical correlation analysis to predict relative prosperity was performed for selected 110 nations with the focus on Romania and Slovenia. The study results for Romania for 2011 indicate low approval of the government, low confidence in the judicial system as well as in financial institutions, in addition to concerns about health prospects and lack of confidence in the transparency of elections for the loving construct. In addition, the being construct is also negative in Romania suggesting overall dissatisfaction with the economic status and development, indicating strong dissatisfaction with governmental efforts to address poverty and efforts regarding sanitation, concerns about environment, existing standard of living and life expectancy, suggesting a weak health system. The study further suggests for Slovenia for 2011 negative expectations for the loving construct and below average expectations for the being construct. The approval of the government and confidence in the judicial system and financial institutions in Slovenia is also low, the only positive expectation is the confidence in electoral system, but Slovenians are also worried about their health prospects. In addition, the being construct for Slovenia is also slightly below average, indicating dissatisfaction with economic development and below average satisfaction with water quality and environment, and life expectancy suggesting health system inefficiency. The longitudinal study for the time period from 2011 till 2016 suggests moderate improvements for Romania in eight areas of relative prosperity, especially for the natural environment, governance and education, and for Slovenia practically unchanged situation. The study further suggests that both nations still face numerous challenges but due to implementation of certain structural reforms till 2016, albeit limited, some additional improvements regarding the economic prosperity of their citizens could be expected in the near future.

Keywords: prosperity model: being-loving-having, relative prosperity, canonical correlation analysis, Romania, Slovenia.

JEL Classification: A13, I31, I32, I39

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Introduction

The construct *being, loving and having* was created by Swedish scientist Allardt (1976, 1990 and 1993). The study presented in this paper was based on the idea of Allardt's triad: being-loving- having and the notions were defined in the following manner: being pertains to individual's quality of life measured by combining soft and firm indicators, loving means subjective prosperity, i.e., individual's satisfaction with the environment, institutions and soft subjective indicators and having refers to material prosperity with firm objective indicators.

For the purpose of the study, the Allardt's prosperity model was verified in the field of economic prosperity for 110 nations with the focus on Romania and Slovenia in order to predict their relative prosperity in 2011. The study focused on a 33 component comparison between Romania and Slovenia in 2011. Additionally, the longitudinal study for the time period from 2011 till 2016 was performed in order to identify possible improvements in relative prosperity in both countries. The comparison analysis of the overall index for Romania and Slovenia and nine sub-indexes: Economic quality, Business environment, Governance, Education, Health, Safety and security, Personal freedom, Social capital and Natural environment was performed.

A survey plan for the prosperity model was made. Data from the Legatum Prosperity Index (2011, 2016) was obtained. Consequently, the canonical correlation analysis was performed to verify the existence of statistically significant and strong correlations of the Allardt's concept being-loving-having. Canonical correlation analysis was used for detecting and assessing the correlation between three pairs, namely being-having, loving-having and being-loving, that define the prosperity, i.e., canonical variates composed as linear combinations of initial variables, one from the first and one from the second set of variables.

1. Definitions of prosperity

Prosperity is generally described as being healthy, happy, successful and therefore able to achieve economic security (Maridal, 2010; Pereira and Coelho, 2013). Several studies suggest that people are most satisfied with their lives when they have the sense of freedom and control over their own destiny (Murray and Hawkins, 1994; Hsee, 2009; Arzenšek and Musek Lešnik, 2016). Prosperity means satisfaction with one's life and happiness, two prerequisites for well-being (Gundelach and Kreiner, 2004; Helliwell, 2006). Prosperity is a key concern for individuals (Graham and Pettinato, 2002; Maridal, 2010; Gropper et al., 2011; Acemolgu and Robinson, 2012), and governments should 'be socially responsible' and should 'decide and act in a way to contribute to the prosperity of the society' (Daft, 1994, Biloslavo and Trnavčević, 2009).

There are two different perspectives of prosperity (Fillmore, 2014; Buchholz, 2016), therefore the quality of life depends on objective living conditions and their subjective evaluation (Budowski et al., 2016). The first, the material prosperity, sees the economic growth as the most important economic factor (Cojanu, 2006; Stiglitz et al., 2009; Fleurbaey, 2009; OECD, 2011; Drews and van den Bergh, 2016) identified as wealth of population measured through GDP, GNI, per capita income and per capita ratio (McClelland, 1967; Mentzakis and Moro, 2009; Azman-Saini et al., 2010; Haggard et al., 2013). On the other hand, the subjective and emotional prosperity see the quality of life and satisfaction with institutions and environment where people live as the most important

factor (Diener et al., 2012; Joshanloo and Weijers, 2016), identified as happiness and well-being (Di Tella and MacCulloch, 2006; Kahneman and Deaton, 2010; Puroila, 2012; Veenhoven, 2005 and 2013; Veenhoven, and Vengust, 2013; Ponocny et al., 2016; Fritz and Koch, 2016). Moreover, Kouvo and Räsänen (2015) argue that improvement of subjective prosperity can be considered as fundamental value that should be pursued by political activities regardless of time or place.

The *having* (material prosperity) and the *being* (subjective prosperity) were initially defined in Erich Fromm's book from 1976, *To Have or to Be.* According to Fromm (2005), in a contemporary Western society people have no longer time for being as his/her life is the constant struggle for having, in other word, a constant struggle for additional material artefacts. Material wealth equates having with successfulness, and economic growth is a precondition for that (Rözer and Kraaykamp, 2013; Brown and Gray, 2016). Predominant orientation to material goods and unlimited economic growth causes the crisis of traditional values, such as family, matrimony, religion, fairness, respect for state institutions and rulers' respect for individuals in society and at cost of being (Easterlin, 2006; Diener and Ryan, 2009; Aknin, 2009; Raibley, 2012; Senik, 2014; Guevarra and Howell, 2015).

Prosperity is more than 'a state of success or wellbeing', it is an assemblage of material resources and non-material goals one can find somewhere between the extreme points of wealth and happiness (Marshall, 1977). In our research, the concept of prosperity closest to Marshall's definition was used. Individual and collective prosperity are defined as a harmony among material prosperity, quality of life, and satisfaction with environment and institutions. Wealth is regarded as accumulation of material goods.

2. Allardt's prosperity model and research methodology

Based on Allardt's model, we introduced the following definitions of three notions: having refers to material prosperity, loving refers to subjective prosperity, and being refers to individual's quality of life. The central figure is a human being as an individual with his/her material and subjective needs. When he/she IS and LOVES, he/she also HAS, or vice versa, when he/she HAS, he/she also LOVES and IS.

Determining the having was not a challenge as we could use firm objective data. However, determining the being and the loving constructs was more challenging, as most of the data concern the individual's subjectivity, therefore semantic interpretation was used. Each variable of the study was placed into one of the three groups, namely being, loving or having, representing the prosperity model.

The following analytical steps were performed in the study, as shown in Figure no. 1 hereafter.
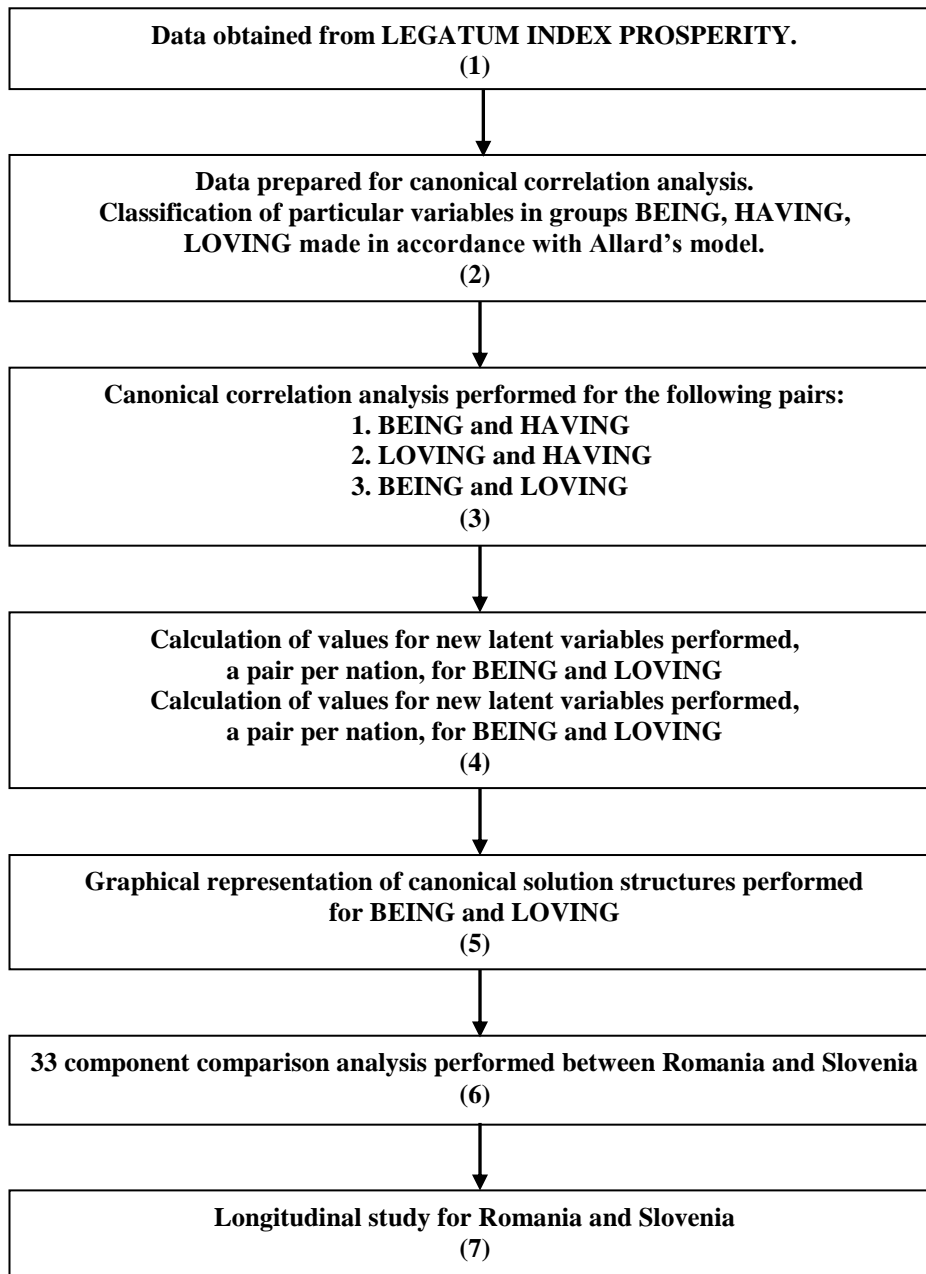
Data obtained from LEGATUM INDEX PROSPERITY. **(1)**

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Data prepared for canonical correlation analysis. **Classification of particular variables in groups BEING, HAVING,** **LOVING made in accordance with Allard's model.** **(2)**

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Canonical correlation analysis performed for the following pairs: **1. BEING and HAVING** **2. LOVING and HAVING** **3. BEING and LOVING** **(3)**

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Calculation of values for new latent variables performed, **a pair per nation, for BEING and LOVING** **Calculation of values for new latent variables performed,** **a pair per nation, for BEING and LOVING** **(4)**

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Graphical representation of canonical solution structures performed **for BEING and LOVING** **(5)**

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33 component comparison analysis performed between Romania and Slovenia **(6)**

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Longitudinal study for Romania and Slovenia **(7)**

**Figure no. 1: The survey of performed analyses**

For the purpose of this study, canonical correlation analysis (Hotelling, 1936) as a method for exploring the relationships between two multivariate sets of variables (vectors), was applied. It was performed with the MANOVA (Multivariate Analysis of Variance) using statistical package SPSS 20. Program package SPSS 20 includes two programs for canonical correlation analysis, both are available with syntax SPSS MANOVA and SPSS CANCORR macro (Anderson, 2003; Ho, 2014). The relationships between the following sets of variables: being–having, loving–having and being–loving pairs were analysed.

3. Results and discussion

3.1. Canonical correlation preformed for construct HAVING-BEING-LOVING

As presented in Figure no. 1, the analysis between the two series of variables being and having was performed as a first step. The pair of these canonical variates suggests the highest correlation coefficient among all possible pairs of canonical variates. Then, the procedure with canonical correlation analysis between the two series of variables loving and having was repeated and the next pair of canonical variates that was independent (rectangular) to the first pair was set. Further, the analysis between the two series of loving and being was performed.

The results of the study suggest strong correlation between variate pair loving and having, and strong correlation between satisfaction with the environment, institutions and material prosperity (Can. Corr. = 0.882). It further suggests very strong correlation between variate pair having and being (Can. Corr. = 0.960). The correlation between variate pair loving and being is also very strong (Can. Corr. = 0.935) (Figure no. 2).
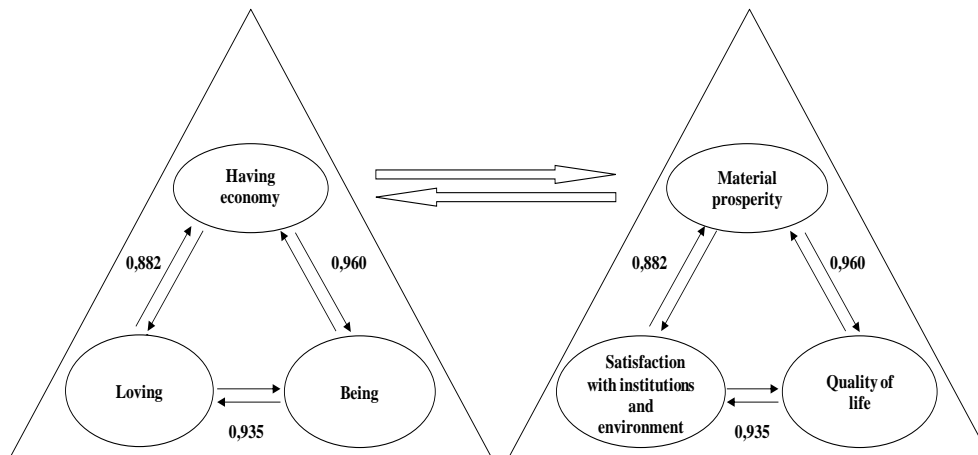
Figure no. 2: Correlation nexus in the model BEING–LOVING and HAVING economy

Hence, the existence of strong correlation among sets of variables being (quality of life), loving (satisfaction with institutions and environment) and having (material prosperity – economy) was confirmed. The thesis that relative prosperity of select nations is strongly correlated with quality of life, satisfaction with institutions and the environment in which people live, and a material basis to achieve prosperity (economy and entrepreneurship) was also confirmed.

3.2 Calculation of values for new latent variable for BEING and LOVING

In the first step of canonical correlation, four tests were performed, Pillais, Hotelling, Wilks, and Roy tests, in order to check statistical significance of the first canonical correlation. The results suggest only one statistically significant canonical solution between two sets of variables, namely being and loving construct. Error of probability is set at 0.05. Data are appropriate for further canonical correlation analysis.

In the second step, all canonical solutions (pairs of variables) for being and loving construct were tested with the strict Bartlett Wilks' Lambda test. According to this test, the solutions with statistical significance below 0.01 are statistically significant. Based on this test, it was concluded that there were five high canonical correlations for the description of relation between being and loving. The most important is the first canonical solution, as it contains the most information about the two sets of variables, other canonical solutions are less informative.

In the third step, all essential parameters referring to particular canonical solutions were indicated: eigenvalues, the percentage of the entire variability for both sets of input variable (pct), coefficients of canonical correlation and redundancy coefficients. The column with eigenvalues, their values and ratio indicate the important canonical solutions, the most important solution is the one with the highest eigenvalue. Other canonical solutions have lower eigenvalue. For the purpose of this analysis, only five canonical solutions, all in accordance with the strict Barlett Wilks' Lambda test, were evaluated as important.

When explaining all canonical solutions for the correlation being and loving construct as a whole, redundancy coefficient is of the highest importance. For the purpose of this analysis, the first canonical solution is of the highest importance, as its share is 30.16% of the entire variability of the correlation being and loving. The second, third, fourth, and fifth statistically significant canonical solutions (25.78%, 9.99%, 6.34%, and 3.93%) are also important, as they explain the entire variability. In addition, 76.20% of the part of the concept prosperity, which correlates with being and loving, is explained with the first five canonical solutions.

Correlation between loving and being is very strong (Can. Corr. = 0.93504). Determination coefficient is very high (Sq. Corr. = 87.429%), meaning that 87.429% of variability of the set being is included in the set loving. For the purposes of this analysis, it was set that Pearson's correlation coefficient with values over 0.6 indicate strong correlation with dependent variable and independent covariate, values from 0.45 to 0.6 indicate moderately strong correlation, and values from 0.3 to 0.45 indicate weak correlation, while values lower than 0.3 were disregarded.

The first canonical solution shows that sets of variables being and loving are very strongly correlated (Can.Corr. = 0.935). Based on two parameters of the first canonical solution, with the percentage of the entire variability (Pct = 32.25%), and redundancy coefficient (Red.Coeff.=30.16%), the following explanation can be provided: 32.25% of people involved in the survey detect negative correlation between being and loving within the concept prosperity. Redundancy coefficient indicates that the first canonical solution explained 30.16% of common space of being and loving.

In respect to being, there is a strong negative correlation regarding people's expectations in terms of economy, people's satisfaction with government's efforts to address poverty,

satisfaction with environmental beauty, and people's opinion that it is a good time to find a job and weak positive correlation regarding well rested people, satisfaction with free choice, safe walking alone at night, satisfaction with health, and people's satisfaction with the standard of living as well as strong positive correlation regarding people's perception that working hard will not get you ahead and moderately strong correlation regarding confidence in the electoral transparency and fairness.

All these structurally correlated manifest variables are, through common latent variable being, strongly correlated (Can.Corr. = 0.9350) with the structure of latent variable loving. Regarding the structure of the first canonical solution in the space of manifest variables correlated with the set loving, there is a very strong negative correlation with government approval, confidence in the judicial system, confidence in financial institutions, and moderately strong negative correlation with confidence in the honesty of elections as well as weak negative correlation with confidence in the military, level of people's non-worrying about health, and good environment for entrepreneurs. Other manifest variables loving have no substantial impact on the analysis.

Using canonical coefficients, in the fifth step, regression equation that created the value of new latent variable being and loving was performed. Calculation of the new value being and loving is presented in the Table no. 1 hereafter.

Table no. 1: Calculation of new value BEING and LOVING

Variable	A set of variables	Raw Coef.	Variable	A set of variables	Raw
k9B	Expectations regarding	**-0.40765**	k32L	Government Approval	**-0.52715**
k53B	Life Expectancy, all	**-0.40716**	k39L	Confidence in the Judicial	**-0.30604**
k34B	Sanitation	**-0.23891**	k15L	Confidence in Financial	**-0.21026**
k28B	Government	**-0.21877**	k86L	Helping Strangers	**-0.10483**
k33B	Governments Efforts to	**-0.14168**	k42L	Confidence in the Honesty	-0.09734
k75B	Non-Assaulted or Non-	**-0.11588**	k65L	Level of Non-worrying	-0.06805
k64B	Satisfaction with	-0.09718	k81L	Tolerance for Immigrants	-0.05341
k7B	Satisfaction with the	-0.06391	k84L	Individual Donations	-0.04271
k8B	Good Time to Find Job	-0.05209	k19L	Good Environment for	-0.03931
k66B	Well Rested	-0.05161	k83L	Trusting Others	-0.02566
k78B	Safe Walking Alone at	-0.05120	k89L	Non-religious Attendance	-0.00430
k76B	Non-Stolen Property	-0.05062	k41L	Voiced Concern	0.05380
k80B	Satisfaction with Free	-0.04882	k82L	Tolerance for Ethnic	0.07175
k79B	Civil Liberty and Free	-0.04777	k38L	Confidence in the Military	**0.11513**
k88B	Marriage	-0.02737	k77	Ability to Express Political	**0.12847**
k47B	Satisfaction with	-0.01957			
k85B	Formal Volunteering	-0.01174			
k26B	Perception that	-0.00120			
k61B	Water Quality	**0.10344**			
k68B	Satisfaction with	**0.15087**			
k40B	Confidence in the	**0.19667**			
k54B	Health-Adjusted Life	**0.70274**			

3.3 Graphical representation of canonical solutions for BEING and LOVING with the focus on Romania and Slovenia

Hereafter, the graphical positioning along regression line of 110 select nations is presented. In the lower left-hand side section are positioned nations, for which two new values of the latent variable BEING – LOVING calculated in the step five of correlation analysis, are negative. In the middle part around the line are positioned nations with average values for loving and being construct and in the upper right-hand side section are nations with positive values of the latent variable being – loving.

In presented plot (Figure no. 3), Romania and Slovenia are placed in the lower left-hand side section along the regression line suggesting that the latent variable being – loving is negative for both nations. Both nations are ranked between very to extremely low.
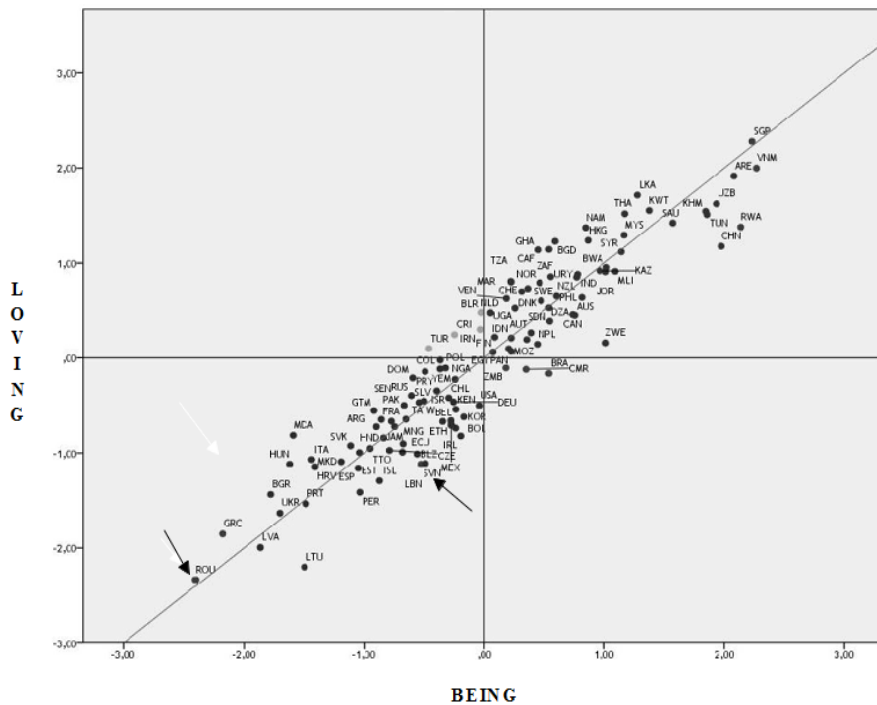

Figure no. 3: Prosperity matrix of Romania and Slovenia

The study suggests that in Romania there are many significantly (extremely) negative expectations for the entire construct loving and being. The construct loving indicates an extremely low approval of the government, low confidence in the judicial system as well as in financial institutions. It also indicates concerns about health prospects and lack of transparency and therefore confidence in the electoral results. In addition, the construct being is also very negative suggesting high overall dissatisfaction with the economic status and development prospects. It indicates strong dissatisfaction with governmental efforts to address poverty and efforts regarding sanitation. It also indicates concerns about environmental issues, existing standard of living and life expectancy suggesting a weak health system.

The study suggests that in Slovenia there is a negative expectation for the construct loving and the construct being is below average. The only positive expectation in the construct

loving is transparency of election results. The approval of the government and confidence in the judicial system (rule of law) is very low and Slovenians are worried about their health prospects. The consequence of strongly negative construct loving is that the construct being is also slightly below average, which shows strong dissatisfaction with the economic development and below average satisfaction with water quality and environment. Life expectancy indicates health system inefficiency.

4. Comparison analysis of Romania and Slovenia

In order to further compare both nations, Romania and Slovenia, the Principal Component Analayis was used to reduce the overall number of variables as recommended by the Legatum Institute and the IMT to 33 principal prosperity components. The k-means cluster method was employed and the final centroids were used as the basis for rating on the scale from 1 (insufficient) to 5 (excellent) for each of 33 prosperity components (Figure no. 4). The 33 component comparative study suggests that Romania scores better than Slovenia in two categories: five-year growth rate (4:3) and entrepreneurial opportunities (5:4). Both nations score similarly in the following categories: employment expectations (4:4), perceived job availability (1:1), favourable environment for entrepreneurs and secure internet servers (3:3), business and government corruption and democracy (2:2), political system and the rule of law (4:4), human capital (4:4), immunisation against infectious disease and measles (5:5) and satisfaction of citizens with the environmental beauty (5:5).

Slovenia also scores better than Romania by three points in the following categories: satisfaction with standard of living, adequate food and shelter (5:2), government effectiveness (4:1), political rights and confidence in transparency of elections (5:2), civil liberty and satisfaction with free choice (5:2), and social cohesion and engagement (4:1). And by two points better in seven categories: inflation (5:3), employment status (4:2), performing loans (% of loans that have been re-paid in 90 days after the end of the term) (4:2), confidence in financial institution (3:1), satisfaction with education quality (4:2), well rested (3:1), and community and family networks (4:2).
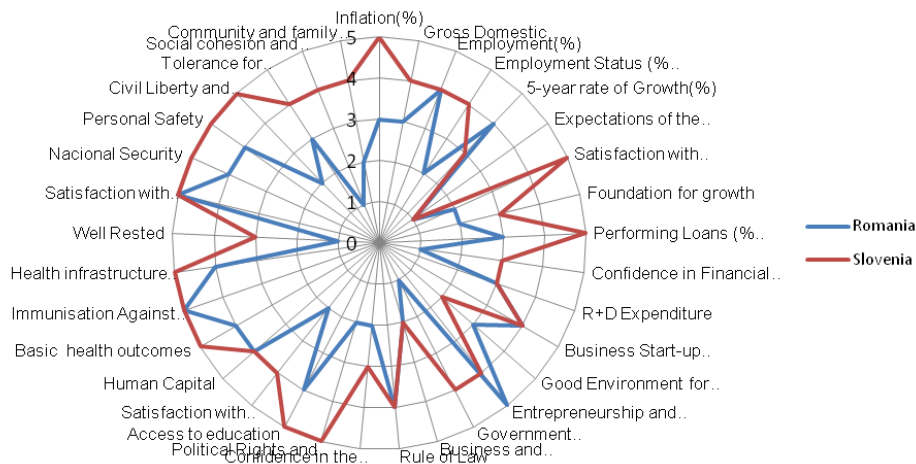
Figure no. 4: The 33 component comparative study for Romania and Slovenia

Additionally, Slovenia scores better by one point in the following nine categories: gross domestic savings as % of GDP (4:3), foundation of growth (3:2), confidence in the judicial system and military (3:2), access to education (5:4), basic health outcomes (5:4), health infrastructure and preventive care services (5:4), national security (5:4), personal safety (5:4) and tolerance toward immigrants and ethnic minorities (4:3).

5. Longitudinal study for the time period 2011-2016 for Romania and Slovenia

Hereafter, the longitudinal analysis for the time period from 2011 till 2016 is presented in order to identify possible improvements in relative prosperity in both countries. The comparison analysis of the overall index for Romania and Slovenia and nine sub-indexes: Economic quality, Business environment, Governance, Education, Health, Safety and security, Personal freedom, Social capital and Natural environment was performed. (Table no. 2)

The longitudinal study for the time period from 2011 till 2016 suggests moderate improvements for Romania in eight areas of relative prosperity, especially for the personal freedom, governance (perception of public institutions by citizens) and education, and for Slovenia stable but practically unchanged situation with the exception for the natural environment (satisfaction with natural environment by citizens). This finding is consistent with the Abbott and Wallace (2014) study, which shows for Romania a better quality of life and a better quality of society for the citizens since joining the EU. The study further suggests that Romania has done more in the last five years to open its economic environment for foreign investments than Slovenia.

Table no. 2: Longitudinal analysis of prosperity for Romania and Slovenia

Year	Rank		Economic Quality		Business Environment		Governance		Education	
	SLO	ROM	SLO	ROM	SLO	ROM	SLO	ROM	SLO	ROM
2011	23	65	22	64	58	51	34	83	26	54
2012	21	60	25	67	51	56	31	78	24	47
2013	20	59	29	79	63	55	34	70	23	50
2014	21	51	30	68	58	44	38	67	22	51
2015	20	50	30	65	60	41	38	63	23	47
2016	20	50	30	65	60	41	38	64	23	47
Year	Health		Safety & Security		Personal Freedom		Social Capital		Natural Environment	
	SLO	ROM	SLO	ROM	SLO	ROM	SLO	ROM	SLO	ROM
2011	33	97	16	53	18	62	15	127	2	87
2012	32	95	11	48	20	55	19	115	1	78
2013	33	97	11	43	17	65	21	121	1	71
2014	34	95	13	50	20	58	20	114	1	62
2015	35	85	14	46	20	48	22	97	1	61
2016	35	85	14	46	20	48	22	97	1	61

Source: Legatum Institute, 2017

Both nations still face numerous challenges but due to implementation of certain structural reforms till 2016, albeit limited, some additional improvements regarding the economic prosperity of their citizens could be expected in the near future.

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Conclusions

The present research provided a new and original graphical presentation of particular perspectives of citizens of the world through the original methodological statistics survey plan and newly constructed model of prosperity HAVING economy, BEING and LOVING, and the use of canonical correlation analysis. A new tool for prosperity analysis of the world states has been developed by the graphical representation of the positioning of states into prosperity matrix through the latent variables HAVING economy (material prosperity), BEING (quality of life) and LOVING (satisfaction with institutions and environment where people live), which enabled the creation of the original model of prosperity of world countries. In addition, graphical data representation from canonical correlation analysis between BEING and LOVING – i.e., between the quality of life and individuals' satisfaction with institutions and their environment – provides a new original model for static analysis of social crisis and prosperity in the world.

The performed study based on the Allardt's model and canonical correlation analysis proved the existence of strong correlation between relative material prosperity (material possession) and relative subjective prosperity (quality of life and satisfaction with institutions and environment) in select nations. The prosperity matrix, a tool for prosperity analysis, was developed using graphical representation for positioning of select nations through the latent variables having (material prosperity), being (quality of life) and loving (satisfaction with institutions and environment where their citizens live).

Based on the study, the positioning within the construct loving – being can be made for any select country and certain predictions and recommendations for development of that select country can be provided. The study suggests that relative prosperity of people exist in select countries that have developed strong material foundation (economy and business), have had efficient constituent functions (administration and management, education and health), and have kept the rule of law and order (individual freedom and rights, social security and safety).

Structural policies have become a prominent feature of today's macroeconomic policy discussion. For Romania and Slovenia, lacklustre economic growth and relatively high unemployment cloud the outlook and promoting more durable job-rich growth seems to be the solution. In particular, the essential role of structural reforms is in ensuring strong, sustainable and balanced growth as their citizens have low expectations for economy and perceived job availability. Romania as well Slovenia should also ensure better confidence of their citizens in financial institutions and government effectiveness, and encourage them to build on community, family networks and social cohesion.

It would be particularly interesting for future research to make comparative analyses of peer countries in Central and Eastern Europe in order to evaluate their relative prosperity and future development prospects. Further, the dynamic time analysis of prosperity based on longitudinal data of Legatum prosperity Index is recommended.

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