

Chapter 10

The Effect of Health and Education Expenditures on Poverty: The Case of Central and Eastern European Countries

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ABSTRACT

Poverty is a phenomenon that influences and complicates the living conditions of individuals. Along with the poverty, individuals experience health problems, and educational and income levels of individuals may also be low. Countries are generally able to fight against poverty by increasing public expenditures and making some economic progresses. For that reason, analyzing the effect of health and education expenditures with a significant place in public expenditures and economic growth on poverty is highly important. In this chapter, the effect of health and education expenditures and economic growth on poverty in 2005 and 2016 period in eight Central and Eastern European countries has been analyzed using panel data analysis. As a result of the study, it has been determined that health and education expenditures and economic growth have a negative effect on poverty. In addition, a one-way causality from health and education expenditures to poverty and a two-way causality between economic growth and poverty have been detected.

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INTRODUCTION

Poverty is an issue which complicates the lives of people and influences the life quality of people. In the countries in which poverty is experienced people are not able to meet their needs to sustain their lives. Poverty is generally experienced as the absence of essential materials such as food, clean drinking water, clothes and sheltering and therefore, the lack of health conditions. The lack or absence of basic food materials leads the health level to be low and endangers the lives of people.

Poverty is rather observed in the countries that have not been able to develop although it is rarely observed in all countries. Poverty in the countries that have not been able to develop generally refers to the absence of basic food and living materials. Poverty is less experienced in developing countries than in underdeveloped countries. However, poverty rate is minimum in developed countries. It is observed that the poverty rate has reduced as compared to previous years as a result of the policies against poverty both on the national and global basis. Thus, according to the World Bank data, while 44% of the world's population lives with or below \$ 1,90 per day in 1981, this rate was 35% in 1990 and 10,7% in 2013 (World Bank, 2018a).

Although poverty level reduces globally, it is still one of the most important issues that countries fight against because it still exists. Countries develop various plans and programs in order to fight against poverty and provide better living conditions for individuals. Countries generally try to make economic progresses by increasing public expenditures qualitatively and quantitatively in the fight against poverty. For that reason, it is very important to research the effect of health and education expenditures with a significant and high share in public expenditures and economic growth on poverty.

Akkucuk (2017) states that “sustainable development has a number of facets related to politics, ecology, economics, business, supply chain management and waste management”. In previous works related to sustainability, mainly the connection to supply chain management related issues have been discussed. The relationship between SCOR model and the green supply chain (Akkucuk, 2016), reverse logistics considerations (Gencer and Akkucuk, 2016), the relationship to quality management models (Akkucuk and Gencer, 2017) and the role of nongovernmental bodies (Akkucuk and Şekercioğlu, 2016) are examples to these. Elimination of poverty, however, is an integral element of the circular economy and relates to the sustainability of the world economy as poverty can lead to instability and chaos. Therefore the study of poverty should be included in a work covering issues on the circular economy and sustainability.

In this study the effect of health and education expenditures and economic growth on poverty in 2005 and 2016 period in 8 Central and Eastern European countries has been analyzed using panel data analysis. First of all, the theoretical information about poverty, health and education expenditures has been included in order to understand the issue better. In the next part, literature review, data, empirical analyses applied with methodology and the related information and analysis results have been included. The study has been concluded with conclusion and evaluation part.

THEORY

Theoretical information about poverty, health expenditures, education expenditures and economic growth will be presented in this part.

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