

## SOCIAL PROGRESS AND ECONOMIC PERFORMANCE (GDP) PËRPARIMI SHOQËROR DHE GDP

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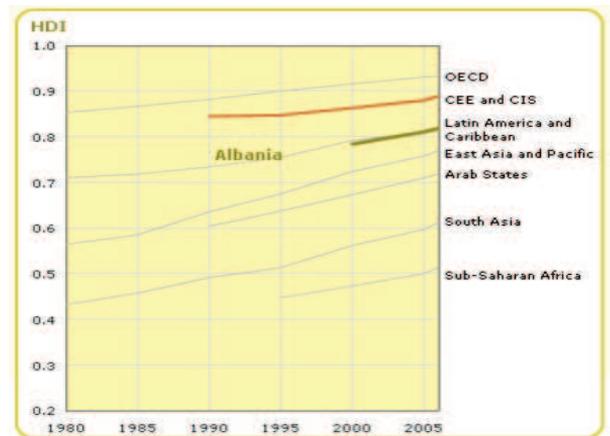
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From the classic GDP's indicators there is no evidence of how the people do leave. GDP is simply the total aggregate of all domestic economic activity; if output is up, the country must be economically healthier? But what if that output is harmful to people and the environment? If we cut down a forest to make junk mail or remove a mountaintop to burn coal, GDP measures all that but ignores the economic, not to mention social and environmental effects of the resulting mudslides, soil erosion, water table poisoning, air pollution or global warming. A team initiated by French President, N.Sarkozi, has presented proposals for a new system for measuring the country's economic growth. So the French President joined the opinion of the well known economists Joseph Stiglitz and Amalya Sen, who already think that for determining a given economy it is not sufficient just only to be taken into account the GDP's indicators, seeing this as a traditional method that has not the proper accuracy to judge about improving the quality of life. There is needed that the economic growth of a country shall be measured in more fully methods, as far as GDP is not more an enough standard for the economic growth. So we have to find the difference between GDP in one side and the Gross National Happiness (GNH) and the Economic Happiness to the other side.



Source: Indicator table G of the Human Development Report 2009

Figure 1. HDI Trends (Albania)-Human Development Report 2009

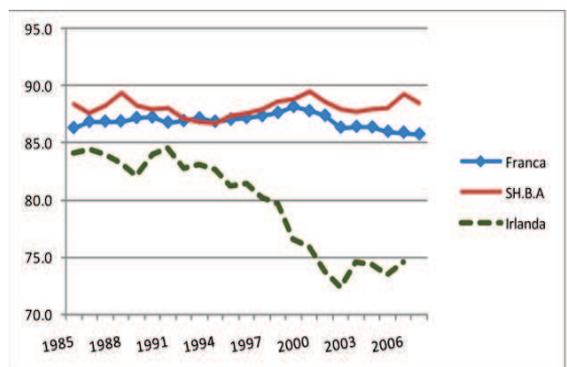
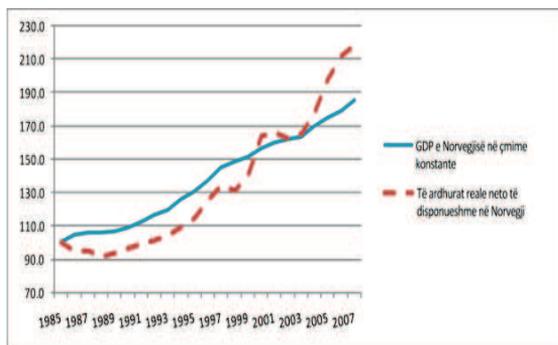


Figure 2. The National net revenues as % of GDP: OECD Annual National Accounts.



**Figure 3.** GDP and available income for Norway (1985-2007) HDI 2009.

HDI value	Life expectancy at birth (years)	Adult literacy rate (% ages 15 and above)	Combined gross enrolment ratio (%)	GDP per capita (PPP US\$)
1. Norway (0.971)	1. Japan (82.7)	1. Georgia (100.0)	1. Australia (114.2)	1. Liechtenstein (85,382)
68. Belarus (0.826)	36. Brunei Darussalam (77.0)	17. Moldova (99.2)	116. Cape Verde (68.1)	91. Ecuador (7,449)
69. Saint Lucia (0.821)	37. Barbados (77.0)	18. Tonga (99.2)	117. Sao Tome and Principe (68.1)	92. Grenada (7,344)
<b>70. Albania (0.818)</b>	<b>38. Albania (78.5)</b>	<b>19. Albania (99.8)</b>	<b>118. Albania (67.8)</b>	<b>93. Albania (7,040)</b>
71. Russian Federation (0.817)	39. Czech Republic (76.4)	20. Antigua and Barbuda (99.0)	119. Namibia (67.2)	94. Ukraine (6,914)
72. The former Yugoslav Republic of Macedonia (0.817)	40. Uruguay (76.1)	21. Hungary (98.9)	120. Azerbaijan (66.2)	95. Cuba (6,876)
182. Niger (0.340)	176. Afghanistan (43.6)	151. Mali (26.2)	177. Djibouti (25.5)	181. Congo (Democratic Republic of the) (298)

**Figure 4.** Human Development Index for Albania, 2007

**1. GDP and the social progress in Albania**

Furthermore, in the Albanian case, this relation draws our attention, because the perception and the indicators do not match with the givens of the GDP growth. In Albania, according to BERZH, up to now the indicators haven't been bad; the Albanian economy has faced 2009, but the expert judge from the fall of remittances, increase unemployment, precisely for the issue that we are treating: the Albanians poverty will be more sensible during this year.

According to BERZH, Banks will continue to pursue prudential credit policies due to the risk that recession has brought. The increase in the bad credits will burden on the balance sheet of the banks, and will diminish their abilities for offering further financing that are necessary to come out from crisis. The increasing of outside demand will be refund by the appliace of the tightly fiscal policies that will be applied in a lot of regional countries.

Private demand will be less as a consequence of the unemployment growth and the few credits, thing that will impede the growth of production and savings that were expend during the crisis. The long- term consequences that are thought to crop up are related to that of what may happen on the future years. The Albanian economy has increased during the last decade based on the remittances and not on the foreign investments. The remittances are falling due to unemployment growth at the EU Countries and a lot of experts are questioning with what resources they could be substituted. The Albanian bank is of the opinion that our country shall tent to increase the foreign investments, while same experts have introduced the idea that it should be reviewed the public debt strategy, for supporting a countercyclical interventions strategy. It is thought that our country can tent to increase the public debt in a medium term for financing the economic growth, but such scenario, requires considerable managing skills, which today lacks in our country. This means that the government shall take loans for investing when the economy is weak and to repay the debt when the economy improves.

But in an open and small economy like Albanian, such investments financed by debts can have a low real impact. Last year, 2008, Albania increased its public debt with more than half billion Euro. The falling of remittances has brought in the spotlight the question of the financial resources of the economic development in Albania. Regarding a old economic theory, the remittances begin to decrease until they go to zero after the first emigration decades because the emigrants stabilize their lives in their new

homes and slowly lose their family and spiritual connections with the mother land. The fast economic growth in Albania, from the fallen of communism, is particularly encouraging from the billions of Euro brought from the emigrants, cash that it was deposited into banks and after they were credited to the government and to the private businesses.

This year, as rarely, the deposits into banks haven't grown and therefore, even the credit to economy stuck. Albanian Bank proposed that the government should seriously think for the attraction of direct foreign investments while even the public sector as well as the private sector, shall think to invest the money in more profitable businesses. The investments will higher rates demand further professional skills from the Albanians, which implies the need for more investments in education. On the contrary of what was expected, the private banks of the second level have transfer outside Albania a capital of 1 billion dollars, or 73.9% more than in 2009, one part in the parent banks and another part invested on securities in other countries.

The forecasting's of the Academy of Sciences in 2005, demonstrate that with an additional 8% of the annual production, the level of output per capita in the European countries can be reached by Albanian in 2039, while with an increase of 10 %, the Albanians can reach the economic level of Europe (which was supposed that would stay firm) only in 2032. So, according to that study, Albanian resulted 30 years behind Europe in the per capita output view.

A report of the European Statistics Institution, Eurostat, recently published, classifies Albania for 2009, the poorest country in Europe with the lowest purchasing power.

## 2. Why Albania results as the poorest country?

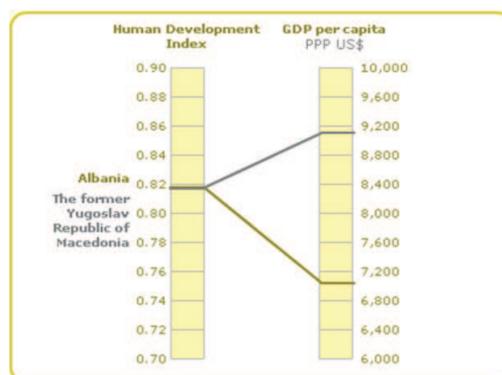
The low Albanian family incomes firstly came from the unemployment. In Albania the satisfactory growth of 5-6 % per year is not associated with the additional number of jobs, but with the increase of unemployment. The Albanian economic growth has been asymmetrical in relation with unemployment.

The gap between the economic growth and unemployment in Albania is higher in comparison with the regional countries, but even with the global levels indicators.

If in global levels world has economic growth of 5-6 % even the unemployment is 5-6%. While in Albania the unemployment level is minimum 2 times ore 3 times higher than the economic growth. Unemployment is higher in poorest areas. Figures show that Albania has an overage remittances near to 300 euro per habitants.

Reductions of shipments are bringing serious consequences in the quality of life, which concretes at the purchasing power. This situation puts Albania in the Eurostat report for 2009 as the poorest country even in the relation with the regional countries. Serbia and Montenegro, that have less or more a problematic history, have indicators that are higher than those of Albania. Even Bosnia is better, or Macedonia has higher purchasing power. With an overage European figure of 100, Albania rank in the last place of the list with 27 countries, with only just a purchasing power of 27 % in relation to the DGP, Bosnia rank with 30%, Macedonia with 35%, Serbia with 37 and Montenegro with 43 % of GDP per capita.

According to the figures of the World Bank the lever of poverty in Albania has decrease from 25 % that was in the year 2002 up to 12% in year 2008. But the report of EUROSTAT for year 2009 shows a growth in poverty mainly from the unemployment.



Source: Indicator table H of the Human Development Report 2009

**Figure 5.** HDI and GDP per capita for Albania, 2009.

Total remittance inflows(US\$ millions)	Remittances per capita(US\$)
1. India 35,262	1. Luxembourg 3,355
7. Poland 10,496	7. Bosnia and Herzegovina 640
58. Azerbaijan 1,287	14. Romania 398
61. Turkey 1,209	15. Moldova 395
<b>64. Albania 1,071</b>	<b>22. Albania 336</b>
70. Armenia 846	23. Estonia 319
76. Kyrgyzstan 715	25. Croatia 306
131. Malta 40	129. Kazakhstan 14
157. Burundi 0	157. Burundi 0
Global aggregates	
Central and Eastern Europe and the CIS 49,618	Central and Eastern Europe and the CIS 114
High human development 92,453	High human development 101
World 370,765	World 58

**Figure 6.** Total Remittance inflows and remittances per capita, 2009

Human Poverty Index (HPI-1)	Probability of not surviving to age 40 (%)	Adult illiteracy rate (%ages 15 and above)	People not using an improved water source (%)	Children underweight for age (% aged under 5)
1. Czech Republic (1.5)	1. Hong Kong, China (SAR) (1.4)	1. Georgia (0.0)	1. Barbados (0)	1. Croatia (1)
13. Argentina (3.7)	26. Costa Rica (3.3)	17. Moldova (0.8)	37. Dominica (3)	48. Belize (7)
14. Singapore (3.9)	27. The former Yugoslav Republic of Macedonia (3.4)	18. Tonga (0.8)	38. Bahamas (3)	49. Bolivia (8)
<b>15. Albania (4.0)</b>	<b>28. Albania (3.6)</b>	<b>19. Albania (1.0)</b>	<b>39. Albania (3)</b>	<b>50. Albania (8)</b>
16. Belarus (4.3)	29. Malaysia (3.7)	20. Antigua and Barbuda (1.1)	40. Ukraine (3)	51. Peru (8)
17. Cuba (4.6)	30. Uruguay (3.8)	21. Hungary (1.1)	41. Argentina (4)	52. Fiji (8)
135. Afghanistan (59.8)	153. Lesotho (47.4)	151. Mali (73.8)	150. Afghanistan (78)	138. Bangladesh (48)

**Figure 7.** Selected indicators of human poverty for Albania, 2009.



**Figure 8.** Diagram of unemployment of Germany, 1991-2010 (DW-28.10.2010)

### 3. Economic growth samples that generates employment

For changing the situation it is needed to think for changes in the up to now model of the economic growth which is accompanied by unemployment growth. The model and the strategies of the country have to change and Albania has to find the right way toward economic growth that produces employment. The employment policies should occupy a more central space in the country development policies. The German model of development lies in the increasing of exports. The shift in this direction would need the growth of the investments in the new production technologies, in textiles, in agro food, etc.

This will bring a decrease in the unemployment and will generate incomes for increasing the confidence of the investors for revitalizing new credit sources to the economy.

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