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The European Perspective of Eleven Transition Countries: Thirty Years Beyond

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ABSTRACT: More than three decades after the collapse of socialism in Europe, relatively enough time has passed for analysis the effects of the transition of socialist countries. The transition countries that are analysed and compared are members of the European Union. The article analysed the effects of institutional changes on prosperity and perspective in eleven transition countries: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. Prosperity is analysed through three domains: inclusive societies, open economies and empowered people. The perspective is evaluated according to the achieved prosperity, corruption index, and trend of population of each country. The finding shows that only three countries increased their number of inhabitants in the observed period. The finding points to large differences of prosperity, and strong presence of corruption within transition countries, and their large lag by prosperity behind the top thirty countries – very different perspectives.

KEYWORDS: society, prosperity, transition, perspective, country, Europe Union.

1. INTRODUCTION

More than three decades after the collapse of socialism in Europe, relatively sufficient time has passed to analyse the effects of the transition of socialist countries from one-party systems and planned economies to democracy and market economies (Lavigne 2000). The transformation of the society and economy of the socialist countries was based on three pillars: the liberalization of the financial market, the opening of the economy and privatization, wrapped in recommended structural reforms. The effect of rapid and comprehensive liberalization without built institutions of regulation for the majority of citizens of transition countries meant social insecurity, growing inequality, higher levels of injustice, spreading corruption, stratification of society – loss of social capital necessary for the success of the transition (Horvat and Štiks, 2015; Acemoglu and Robinson, 2017).

Apart from international institutions, the process of joining the European Union (Ott, 2004), which essentially required almost unconditional convergence, had a key impact on institutional development in transition countries. Transition countries were confronted with the presentation of democracy and the market economy through institutional imitation, which reduced their possibilities of institutional choices and dynamics of change to the space of 'democratic' acceptance of other people's solutions and the required dynamics.

The excitement of establishing democracy and market economy as the final solution to all problems of the socialist state and society, completely ignored the important role that the state plays in the process of creating a functioning market economy and a prosperous society (Adsera et al., 2019; Mazzucato, 2020). In transition countries, there was no discussion about how to replace the existing model of economy and social relations (Alexiou et al, 2020), or which model of democracy and capitalism would be most appropriate for a particular society (Fukuyama, 2005; Sen, 2012). One of the possible reasons for the lack of discussion on the transition agenda was the international carriers of the "shock therapy" transition model (Stiglitz, 2004). Another, perhaps more likely reason for avoiding the discussion of perspective was the structures of the new political elites (Szelényi and Szelényi, 1995). The process of transformation (Jambrač, 2020; Antić, 2022) required from political elites to understand global relations and the process in which democracy, globalization and the nation-state with their imperatives are very often on opposing sides. It was a question of deciding on the balance (scope and dynamics of the arrangement) between the three key factors of development: globalization, democracy and the nation-state. The opposition to the adoption of inevitable decisions ultimately completely determined the possibilities and role of the nation-state, i.e. directed social and economic development in transition countries (Rodrik, 2011).

2. THEORETICAL ASPECT OF PROSPERITY ANALYSIS

There is a large volume of research on the consequences of economics beyond the dominant analyses that glorify economic growth and GDP. The Foundational Economy Collective (FEC) emphasizes the social and material infrastructure on which people depend; Since 2011, the OECD Better Life Index has been tracking the development of well-being in member and partner countries through eleven areas; The SDI Index, the Sustainable Development Index measures the environmental performance of human development within planetary capabilities; HDI - Human Development Index is an index of aggregated statistical data on life expectancy, education and per capita income, according to which countries are ranked at four levels of human development; The Social Progress Index (SPI) provides an analysis of the non-economic aspects of global social impact, i.e. an insight into the state of societies; The Legatum Prosperity Index (LPI) in three domains and twelve dimensions annually ranks countries according to prosperity scores.

In The Theory of Prosperity (2015/1852) Simon N. Patten assumes that although man is moved by goods and the benefits they bring, his character (behaviour) changes in relation to the environment: work does not contain pleasure as the only acquisition of things, but adaptation to the environment that values one's efforts and results. Patten does not deny that man is a being of the economy and subject to economic laws, however, he does not consider income to be the only value of human labour. The theory of prosperity is presented in two parts. The first part deals with the area of "income determined by existing conditions": a finding that illustrates the distribution of wealth in an existing society; the second part deals with the analysis of "income determined by heredity": the sociological picture of man and society shaped by economic forces. Patten believes that each economic environment (entity) imposes its own rules of behaviour in order to adapt to the environment in order to achieve an easier life and excess energy for progress. However, the key question is how a certain economic environment was created: under what circumstances were or are being set (also in transition countries) the roles of constitutive and instrumental freedom (institutions), roles that ultimately determine social development – the free choice of life that a particular society values to live. Or, instead of choices, institutions are adopted or converged according to some different values of societies, with different characteristics, as a condition, for example, for integration. However, if we ask ourselves whether such integration allows us to live a long and quality life without poverty and lack of freedom, the vast majority of respondents would probably answer in the affirmative. So not unconditionally, but integration that makes life better. This simply means that there are at least two approaches to prosperity. First, to choose (independently) a socioeconomic concept in which "wealth is clearly not the good we seek, it is only useful for something else" (Sen, 2012: 26). And secondly, to accept the institutional framework, which is offered as the best solution in the integration process.

In the book The Economics of Prosperity. Rethinking Economic Growth and Development (2023), Shawn Ritenour developed "a general theory of economic progress that comprehends human action as the source of all economic phenomena." Ritenour argues that it is very important to understand how all sources of prosperity must occur together in order for economic progress to be possible and push prosperity (Ritenour, 2023). Since the analysis is based on a synthesis of Austrian theories of markets, capital, entrepreneurship, critique of modern growth theory and institutions, it is particularly interesting for transition countries, former members of the Habsburg Monarchy.[1] For transition countries, more and more authors claim, that the key segment of understanding the success of the West is the importance of creating suitable an institutional and cultural framework (Fukuyama, 2005), which fosters (recognizes) the activities of the population necessary for economic growth and prosperity (Acemoglu & Robinson, 2017).

Especially at the beginning of transformation and integration, it is important to understand the possibilities of freedom of institutional choice. In fact, decisions need to be made about the hierarchy of the trilemma between democracy, national decisions and (economic) integration (Rodrik, 2011: 18), since the possibilities of freedom of choice are always limited in the integration process. Integration processes[2] mostly become a one-way street of political weighing of the power of those willing to enter and those who make a political decision about it. New institutional solutions promote very different values and goals and are not limited exclusively to one area, but directly or indirectly affect changes in the whole society, often very profound, and often towards one single purpose of action – infinite growth (D'Alisa, Demaria & Kallis, 2016). In contrast, prosperity as a concept (philosophy) does not imply a unified model of society, a single model of democracy and capitalism, but promotes the idea of a synthesis between individual lives – their quality, aspirations and purpose – and the larger systems and constraints within which they are embedded (Moore & Mintchev, 2021). In fact, it promotes the essence of the initial idea of European cooperation – united in diversity.

In addition to the EBRD's ongoing transition reports, there are a large number of authors and papers that consider the transition process through various aspects: economics (Veselica & Vojnić, 2000; Rusu & Roman, 2018; Bošnjak, Novak & Wittine, 2020), sociology (Antić & Vlahovac, 2010), poverty and exclusion (Gerovska-Mitev, 2015), economics, politics and transition results (Vojnić, 2013; Haramija & Njavro, 2016), corruption (Bayar et al., 2019), welfare (Baležentis, Baležentis & Brauers, 2011, Gligorić et al., 2018), capital market (Svilokos, 2012), investments (Todorov et al., 2022), integration (Gligorov, 2007) and many others, and give very different analyses of success in transition countries.

[1] Austria is a federal state, in sixth place in the EU27 in terms of GDP per capita, a relatively small country with nine million inhabitants and 84 thousand square kilometres, a member of the EU since 1999, neutral).
[2] For example, in order to join the OECD, Croatia must harmonize 248 conditions/remarks.

3. METHODOLOGY AND EXPLANATION OF TERMES

For the analysis of prosperity, data from the Dataset Legatum Prosperity Index (DLPI) are taken[3]; for the analysis of resistance to corruption, data from the Corruption Perception Index (CPI)[4] and data from the World Bank on population trends in selected countries[5] and the Democracy Index.[6] The paper includes an analysis of the achieved level of prosperity of the most prosperous countries in the world with the results of eleven transition member states of the European Union. In addition, the elements of prosperity from the inclusive societies: the rule of law and trust in institutions, as well as the level of resistance to corruption and the functionality of democracy are compared. Given that the data from the Legatum Prosperity database are used for the analysis of prosperity, it is necessary to present their definition of the term prosperity:

"Prosperity is far more than wealth; a state in which all people have the opportunity and freedom to progress. Prosperity is underpinned by an inclusive society, with a strong social contract that protects the fundamental freedoms and security of each individual. It is driven by an open economy that uses ideas and talent to create sustainable pathways out of poverty. And it is built by empowered people,
who contribute and play their part in creating a society that promotes well-being." [7]

For eleven transition countries, the achieved values of the Prosperity Index are explained through three domains: inclusive societies (IS), open economies (OE) and empowered people (EP). The IS domain contains the values of the dimensions of safety and security, personal freedom, governance and social capital. The OE domain contains the values of the investment environment, business conditions, the state of infrastructure and market access, and the quality of the economy. The third, EP domain, also contains four dimensions: living conditions, health, education and the state of the natural environment. Three categories have been created to interpret the perspective: prosperous countries with a prosperity index IP $\geq$ 80; countries of deficient prosperity IP = 60-80 and the third category, countries of hybrid prosperity with an achieved index IP = 40-60. The analogy of valuing prosperity is also applied to other elements of prosperity and other indices in comparison. The conceptual framework includes an analysis of achieved prosperity through three domains in the last decade of measurement, for the period from 2013 to 2023 (LPI 2023). The Legatum Prosperity Index 2023 (LPI 2023) has developed a database that provides a look at the dynamics of change for 167 countries since 2007.

4. GLOBAL PROSPERITY INDEX RANKING

According to the names of the countries in the top ten places in the global prosperity ranking, cultural and social differences can be anticipated, and consequently the economic results of different development paths (Sen, 2012; Dávid-Barrett, 2023). The data on the prosperity index for the first ten countries, for specific four years are presented, which allow us to analyse two ten-year periods (2007-2017; 2013-2023). In Table 1, the lowest values of the prosperity index are highlighted. It is evident that countries have had ups and downs in their efforts to improve prosperity at different times. During this period, Iceland dropped out of the top ten in the prosperity rankings in 2012: it took 14th place, and Canada was tenth. In 2023, there were nine countries from Europe in the top ten places: six are members of the European Union, and four have also been members of the European Monetary Union since 1999. Of the top ten countries, six are constitutional monarchies (Denmark, Sweden, Norway, the Netherlands, Luxembourg and New Zealand): four kingdoms belong to the Scandinavian area. The other four countries in the top ten on the prosperity scale are republics: two are not members of the European Union (Switzerland and Iceland). Needless to say, northern European countries are culturally very different from other areas of Europe, and that their social values are firmly embedded in all key institutions (Campbell and Pedersen, 2007). Commitment to one's own values has also resulted in one extremely significant common feature – "domestic solutions" – institutional solutions designed or adapted by people from a particular country, who have a good understanding of the needs and problems in their states (Suzukia and Mizobatab, 2019). Appropriate development strategies based on an understanding of the world and one's own political economy have resulted in almost minimal deviations in the level of prosperity, but also in continuous population growth. The Scandinavian countries were not below tenth place in the scale of prosperity in any year of measurement.

Considering prosperity through index values gives a clearer picture of prosperity and an assessment of the social condition of each country. How long it takes to achieve even a minimal improvement is shown by the example of Denmark (first in the global ranking), which took sixteen years to raise the value of the index by one point: from 83.6 in 2007 to 84.6/100 in 2023. The Scandinavian countries, Switzerland and Luxembourg were marked by the continuity of growth in prosperity in the observed period. Germany and New Zealand were stuck at the level of prosperity from 2017 and 2007, respectively. After the financial crash in 2008,

[3] Available on: https://www.prosperity.com/
[4] Available on: https://www.transparency.org/en/cpi/2023?gad_source=1&gclid=CjwKCAjw2Je1BhAgEiwAp3KY7_d3pxgHZNe1dBbdyRbZM0YwzUqGya5f2o3O6sw9CUG_K1RyHOHk5hoCiOYQAvD_BwE
[5] Available on: https://data.worldbank.org/indicator/SP.POP.TOTL
[6] Available on https://www.eiu.com/n/campaigns/democracy-index-2024/
[7] Available on: https://index.prosperity.com/about-prosperity/what-prosperity

Iceland fell to 14th place with 78.7 points in 2012. The level of prosperity of 80.7/100 reached in 2007 was reached by Iceland ten years later. Compared to the other nine countries, Iceland has not reached seventh place in the 2007 global rankings even fifteen years after the 2008 financial crash. According to the values of the prosperity index (IP) of the top ten countries on the global scale for the period 2007 to 2023, we can conclude that economic and political integration in the European Union, EU member states have been well used to increase the level of prosperity. Also, there were no significant changes in the observed period: mostly the same countries were in the top ten places according to the value of the prosperity index: all prosperous countries with IP ≥ 80 (Table 1; DLPI 2023).

Table 1 Global prosperity index ranking

2023		Country	2017		2013		2007		PS
Rank	IP		Rank	IP	Rank	IP	Rank	IP	
1	84.6	Denmark	1	83.3	3	82.3	1	83.6	M
2	83.7	Sweden	4	83.2	1	82.9	2	83.0	M
3	83.6	Norway	3	83.2	2	82.4	3	82.2	M
4	83.5	Finland	5	82.7	5	82.2	3	82.2	R
5	83.4	Switzerland	1	83.3	3	82.3	5	81.6	R
6	82.3	Netherlands	6	82.1	6	81.4	6	80.8	M
7	81.8	Luxembourg	8	81.1	8	80.1	9	80.1	M
8	81.0	Iceland	10	80.8	14	78.9	7	80.7	R
9	80.8	Germany	9	80.9	9	79.9	10	79.4	R
10	80.5	New Zealand	7	81.5	7	80.7	8	80.5	(M)

Izvor: Dataset Legatum Prosperity Index. R – rank; IP – prosperity index; PS – political system; R – Republic; M - Monarchy

5. EUROPEAN PERSPECTIVE OF ELEVEN TRANSITION COUNTRIES

Three decades after the fall of socialism and the transformation of social and state capitalism into private capitalism, it is evident that the privatization process was approached with an extremely narrow set (accepted) goal – to erase the foundations of social or state ownership by rapid privatization, for which there was neither one's own money nor management knowledge in the new business conditions (Fish and Choudhry, 2007). The consequences of politically implemented privatization, which was accompanied by general liberalization, in most cases resulted in a decline in living standards, social stratification, growth of inequality and poverty (Godoy and Stiglitz, 2006; Obrizan, 2020). The transformation of the political system did not create the necessary appropriate institutions, which would guarantee (limit) market fundamentalism, financialization and freedom within the prescribed frameworks, protecting the social values of the country (Fukuyama, 2005; Popov, 2007). Political and economic transformation, integration and globalization have produced a variety of consequences and different perspectives (Antić & Vlahovec, 2010).

Of the eleven transitional countries analysed, the finding shows that not all countries have equally submissively implemented the institutional changes imposed or suggested by political support. The achieved values of the prosperity index of transition countries in three domains: inclusive societies (IS), open economies (OE) and empowered people (EP), were differ significantly according to the prosperity index and within the domains. Despite highlighted indicators on the levels of prosperity achieved in the all- transition countries, the finding points to modest changes over a ten-year period. The established initial political and economic relations in a particular country, it seems, have strongly tried to maintain positions regardless of the consequences they produce on society and the economy. Despite European integration, one gets the impression that the old democracies of Europe treated the former socialist/communist countries (or still do) as "disobedient children" who, from time to time, need to be reminded of where they are and shown where they belong. One of the most visible consequences, and for the transition countries this should be the most important indicator of the outcome of the adopted institutions and implemented policies, was the decline of population.[8] Depopulation and emigration in most transition countries resulted in the loss of educated young people, key populations for political and social engagement, i.e. holders of political activities. Most of them have sought their new destination in prosperous countries, not only because of existential difficulties, but also because they lost trust in institutions (Fukuyama, 2000), poor social climate and a sense of lack of prospects (Sandel, 2020). In the political field, the debate on the consequences of an "unfinished" transition (Douarin and Mickiewicz, 2022), has often been used as a favourite topic and politically very suitable for continuing privatization and reducing the scope and quality of public services. According to an additional interpretation by a powerful international organization (the World Bank), the transition will be completed by the act of "putting the old socialist companies on the open market,

[8] Ibid 5

but with new stakeholders." In the explanation of the amendment to the definition, the World Bank notes "that the level of entrepreneurship can be achieved at any level of development or per capita of revenue" (Milardović, 2003: 244).

The third area of institutional failure of transition countries was a (dependent) economy subject to the dynamics of international corporations, financial sector institutions and the European single market. These independent organizations and institutions have become key factors in maintaining an appropriate level of fairness and political stability within transition countries, which has enabled the freezing of the achieved levels of privileges and the control of the adoption of regulations (influencing the political outcome), which could introduce more order and political and social responsibilities in certain areas. Convergence towards an undoubted (Stiglitz, 2004; Kuan Yew, 2021), regardless of the level of prosperity achieved, has become a dogma in most transition countries.

Seven of the eleven transition countries with a prosperity value index IP ≥ 70 were relatively slightly behind the magic limit of the prosperity category (IP = 80/100): from 2.7 points for Estonia to 9.8 points for Poland. If we convert the point differences into a time period of lag, Estonia could, assuming the same level of improvement (progress - p) over this ten-year period (p = 3.9), reach the value of the prosperity index of 80/100 in less than a decade. Poland, on the other hand, would need about nine decades with p = 1.1. Although they are relatively close in the global rankings: Estonia was 21st and Poland was 37th (in the top 40), these two countries were decades apart in terms of perspective. The situation in the rest of the transition countries was very similar. Croatia was in 41st place in the global ranking with an index of 68.2 and 11.8 points away from the magic limit of IP = 80, which would take time of three decades according to the amount of improvement (p = 4); it would take Hungary 16 decades, Bulgaria five decades, etc. However, this estimate is only an orientation because it is based on the assumption of maintaining the current level of improvement in prosperity. However, the improvement in the prosperity of EU member states with an index higher than 80 was in the range of 0.8 to 2.3 or an average of 1.4 points, while the improvement of countries with a prosperity index higher than 70/100 amounted to an average of 1.6 points. If we apply the more favourable of these two averages to transition countries to calculate the time needed to reach IP = 80, the situation deteriorates considerably: it takes at least twice as long. This actually means that the two countries that have reached an IP higher than 75: Estonia, the Czech Republic and Slovenia with IP = 74.5 were rapidly moving away from the rest of the transition countries. Estonia, the Czech Republic and Slovenia were the only ones to increase their population in the period from 2013 to 2023 (LPI 2023).

The second level of analysis refers to the three domains of prosperity. The top seven most prosperous EU member states, with an IP ≥ of 80/100, achieved a higher index value in the IS domain than the prosperity index. Six of them achieved the highest index in the IS domain, while Germany achieved the highest index in the empowered people (EP) domain. We can conclude that all relatively small countries (in terms of space and population) in the observed period built the progress of prosperity on improving the situation in society (IS domain), while Germany devoted more attention to strengthening the capacity of the nation (EP domain). Unlike the old members (EU16), all transition countries achieved a higher index in the EP domain. The difference between the index values within the three domains in the "seven prosperous" countries (PR7) with IP ≥ 80, was on average 2.4 points, while the difference in eleven transition countries (TR11) was 11.8 or almost five times bigger. This difference indicates the balance of the first group and the extreme imbalance of the second group of countries, despite the fact that they have been functioning within the same political and economic institutional framework for at least a decade. Estonia, the Czech Republic and Slovenia were at different distances from the limit of the index for functional societies (IIS = 80): Estonia – 1.4; Czech Republic – 4.1 and Slovenia 7 points, etc. Estonia's relatively small gap to the value of the IS index of 80 points had an advantage of three or even five times over the Czech Republic and Slovenia. It could give Estonia, which in the past belonged to Scandinavia for more time (Mak, 2014a: 211), a great chance to separate itself more strongly from the rest of the transition countries in the next decade and position itself among the top fifteen countries on the global prosperity scale. Namely, Estonia has already reached the value of the index above 80 in the EP domain, so it can focus more on improving the key domain of success of the "prosperous eight" – inclusive societies.

In the IS domain, transition countries achieved significantly different index values according to domain dimensions (safety and security, personal freedoms, governance and social capital) and showed a marked imbalance in the domain. Ten transition countries achieved a value of the safety and security index above 80 and were functional countries in this dimension, except Bulgaria, which achieved an index of 74.8. The difference between the most successful Czech Republic with an index of 90.6 (thirteenth place in the global ranking and first in the ranking of Eastern European countries - EE23) and Bulgaria, was 15.8 points. The second dimension according to the average value of the index was the dimension of personal freedom (IPF = 75.4). Estonia, the Czech Republic and Latvia achieved an index value above 80; five countries in the range between 70 and 80, while Bulgaria, Poland and Hungary were in the lower end of the category of deficient personal freedoms (IPF > 60). In the past period, Estonia improved the area of personal freedoms by 2.3 points, while the index value in Hungary fell by 12.5 points. The third dimension, governance (G), had an average value of 62.4, or about 60 percent of the possibilities. However, the differences between the values of the governance index (IG) within transition countries are huge (d = 33.3): Estonia with IG = 79 and Lithuania with IG = 72.6; four countries with an IG > 60; four countries with an IG > 50 and Hungary, whose index fell by 7.8 points to IG = 45.7. In the fourth dimension of the IS domain – social capital (SC), the weakest average result was achieved (ISC = 57.2). The difference between the index values in the SC dimension was 16 points. The most successful, Poland, and four other countries achieved ISC > 60, a category of countries with deficient social capital; five countries achieved an ISC > 50, and only Lithuania achieved an extremely low ISC value of 45.7 (all were in hybrid social capital category), which was enough for 129th place globally and 21st among EE23. There were several elements of social capital that have posed major challenges for the authorities in most transition countries: trust in institutions, the rule of law, social tolerance, civic and social participation, i.e. interpersonal trust. In order to increase the level of prosperity (as shown by the results of the Scandinavian countries), it was necessary to significantly improve the inclusive societies domain, primarily the value of social capital and governance.

An analysis of the open economies (OE) domain among transition countries shows us significantly smaller differences in the value of the index. In the OE domain the difference between the index values of the best Estonia and the worst Romania was 10.9 points, while the difference in the IS domain was significantly larger, 16.2 points. We can conclude that the transition countries were much closer in the field of economy than in the IS domain, i.e. that the integration process in this domain had the greatest impact. However, only Estonia crossed the magic OE domain index level of 70 points (IOE = 72.3) and joined to the twelve (old) countries that also achieved a domain index of more than 70. According to the OE domain index, Estonia ranked 11th, just behind France and ahead of Spain with IOE = 70.4. The difference in the value of the OE domain index between Denmark and Estonia was 7.1 points, while the difference in the value of the IS domain index was an unreal 21.1 points. In other words, in terms of economy, Estonia was almost on par with the EU's nine prosperous countries. The Czech Republic was 2.7 points behind Estonia in the OE domain, and Slovenia 3.5 points. Considering the amount of improvement in the OE domain index in the previous period: Czech Republic +3.8; Slovenia +4.1 points, crossing the 70-point mark should not cause any difficulties for either the Czech Republic or Slovenia. According to the current dynamics of improving the OE domain index, only Latvia and Lithuania could exceed the 70-point mark in the next decade, i.e. five out of eleven transition countries (Table 1; LPI 2023).

The PR7 countries in the OE domain achieved the best average result in the investment environment (IE) dimension: five out of seven countries achieved the IE > 80 index – a favourable investment environment, except for Germany and Luxembourg. In the business conditions (EC) dimension, only Luxembourg had an index higher than 80; in the infrastructure and market access (IMA) dimension, three countries: Luxembourg, Germany and the Netherlands, and none in the quality of the economy (EQ) dimension: the EQ value ranged from 70.3 in Finland to 77.8 in Ireland. According to the value of the OE domain index, PR7s differed by 2.7 points, and within the dimensions of domain from 5.2 to 7.5 points. The best average result in the OE domain was achieved by transition countries in the dimension of infrastructure and market access (IMA = 69.22): Estonia, Slovenia and Croatia achieved an IMA index > 70, while the other eight countries achieved an index between 65 and 70. The European Union's incentive policy in financing infrastructure projects had borne fruit. Estonia achieved an index of more than 70 in all dimensions; The Czech Republic and Slovenia in two dimensions. The worst ranked countries in the OE domain: Croatia and Romania, along with Hungary and Bulgaria, achieved an extremely low index in business conditions (IEC < 60), i.e. a pronounced imbalance of the domain (from 12 to 19 points). The difference within the EC dimension (between Estonia and Hungary) was an incredible 19.2 points, and 29.1 points less than Luxembourg (the best in the EC dimension). Within the three domains of prosperity, the smallest differences were in the OE domain (LPI 2023).

In the domain of empowered people (EP) transition countries (TR11) reached the highest values. Estonia with the EP domain index, IEP = 81.1 and Slovenia with IEP = 81.7 have reached the level of values that classify them as a capable nation (IEP ≥ 80). With an IEP of 81.7, Slovenia ranked first on EE23 and twelfth in the global ranking in the EP domain, while Estonia was second on EE23 and twentieth in the global ranking. The other nine countries achieved the value of the EP domain index from 71.7 Romania to 79.6 Czech Republic. The difference between the values of the EP index of the best Slovenia and the worst Romania was 9.4 points. The average improvement in the OE and EP domain indices was 3.64/3.55 points, while in the IS domain it was 3.14 points. Romania, with an EP domain index value of 71.7, should three decades to reach the level of a functional capacity of nation, according to the improvement achieved in the previous decade (d = 2.8). The bigger problem for Romania (and most transition countries) was how to address the causes of the decline of eighteen percent of the population over the past three decades. In the analysis of the EP domain of transition countries, we encounter a paradox: with the domain with the best results of transition countries and the decline of population.

Slovenia has invested the most in EP domain in the health dimension. Estonia was the best in the living conditions and education sector. Latvia has most concerned about the state of the environment. Romania achieved the worst results in the EP domain and in the health and education sectors, while Bulgaria was last according to the value of the natural environment index. The lowest values of the index were achieved by transition countries in the task of caring for land, forests and soil, with an average index value of 51.6. The difference in index values in this element between Sweden and Romania was a whopping 34.3 points. Another huge difference in the value of the index in this dimension was in water management: between Sweden and Bulgaria d = 40.3. In the health dimension, the difficulties were mainly in high risky behaviour, low level of prevention and weaker physical health of nations. In the education dimension, four of TR11 had difficulties in pre-primary education, five in primary, two in secondary and five in higher education. According to living conditions, nine of TR11 countries are in the top forty in the global ranking (LPI 2023). We can conclude that living conditions were good, but not enough to kept the population.

Table 2 Eleven transition countries by prosperity and domains indexes

R 2023	IP	Country	IIS	IOE	IEP	R 2013	IIS	IOE	IEP
21	77,3	Estonia	78.6	72.3	81.1	23	73.9	68.3	78.0
25	75,1	Czech	75.9	69.7	79.6	28	71.1	65.9	78.1
27	74,5	Slovenia	73.0	68.8	81.7	25	73.6	64.7	80.4
31	73,0	Latvia	72.6	66.6	79.8	36	67.1	61.8	76.2
32	72,5	Lithuania	71.6	67.6	78.5	38	65.8	61.3	74.6
35	71,1	Slovakia	72.2	64.5	76.7	35	67.7	62.7	75.3
37	70,2	Poland	68.8	65.0	76.7	34	70.6	62.2	74.4
41	68,2	Croatia	67.0	61.4	76.3	44	61.3	57.9	73.5
42	66,9	Hungary	62.4	61,.9	76.3	40	63.9	61.6	72.9
45	66,4	Romania	66.1	61.4	71.7	50	60.6	56.8	66.9
48	65,6	Bulgaria	62.7	61.9	72.0	49	60.8	57.9	69.4
1	84,6	Denmark	89.7	79.4	84.0	4	88.3	75.7	82.8

Source: Legatum Prosperity Index 2023. R-rank; IP-index of prosperity; IIS-inclusive societies index; IOE-open economies index; IEP-empowered people index.

The ranking on the global prosperity scale, which has not changed significantly in recent decades, points to a key domain for improving prosperity: inclusive societies domain. An inclusive society requires structures within society that support social values, that will encourage and spread cooperation and trust, and enable the strengthening of cohesion and the realization of a successful nation (Campbell and Pedersen, 2007; Acemoglu and Robinson, 2017). The inclusiveness of society, in which social capital is a crucial value, results in the strengthening of social awareness of common goods, which affects the quality of life and care for nature (Ostrom, 2006). The open economies domain should enable the exploitation of comparative advantages and support the social values of a particular country. Seven European Union member states with a prosperity index value of more than 80 (PR7) also achieved an index greater than 80 and in inclusive societies and empowered people domains.

Countries use different strategies to achieve prosperity. For 2023 Denmark was the best by prosperity and the best in the inclusive societies (IS) domain. Hong Kong was the best in open economies domain, but it was ranked 22nd globally by prosperity, one place behind Estonia. But, among the EU27 countries in the economic domain, the Netherlands was the best. The best in the domain of empowered people was Sweden, which ranked second in the global prosperity ranking. Among these three countries, the largest difference between the index values by domains was in the IS domain (d = 4) and EP domain (d = 3,9), while the difference in the OE domain was 1.1 point. All three countries achieved a prosperity index above 80, but achieved the best results in different domains of prosperity. Denmark was the best in three elements (rule of law, trust in institutions and resistance to corruption), and Sweden was the best in the fourth element (democracy), unlike to the Netherlands that was the worst in democracy (Table 3). In the element of trust in institutions Denmark, Netherlands, and Sweden achieved a value index higher than 70, which would be a deficit according to our criteria, while in the other three elements Denmark and Sweden were functional countries.

Two transition countries, Estonia and Slovenia, achieved the best results in the all three domains of prosperity among the TR11 countries: Estonia in the IS and OE domains, and Slovenia in the domain of empowered people. Estonia also achieved the best results in three selected elements of the comparison: the index value between 60 and 80 points, i.e. the category of deficient functionality. In terms of prosperity, Slovenia ranked 25th in the global ranking, achieved a functional EP domain, an IS domain and a democracy index above 70, while the rule of law, trust in institutions and resistance to corruption were weaker, slightly above 50 percent. The Czech Republic did not exceed the value of the index of 80 in any domain, but it was the best in democracy (DI = 79.7). These six countries differ slightly according to the value of the EP domain index, while the differences in other domains are significantly larger. Sweden and Denmark differ significantly only in the area of resistance to corruption, where the difference was eight points. Estonia and Slovenia achieved the largest difference in the index in trust in institutions (d = 12.9) and resistance to corruption (CPI = 20). The differences between Denmark and Slovenia in the achieved index values were far greater outside the three domains of prosperity: 15.3 points in democracy, 23.6 in trust in institutions, 31.6 points in the rule of law and as many as 34 points in resistance to corruption (LPI 2023; Table 3). Different results in the domains of prosperity and in selected elements, in addition to different strategies in individual areas, also indicate differences in political systems and social values, i.e. cultural similarities and differences, different perspectives.

Fjelde and Hegre (2014) statistically proved the vicious balance created by a high level of corruption within every society, making political systems more resistant to change, i.e. more conducive to maintaining political elites in power, who seek to "freeze" the existing state of affairs in the development of democracy and prosperity. It is very likely that such a state of affairs in society has produced a large outflow of population in eight of the eleven PS countries: from three to 25 percent of the population. Only three countries have maintained or increased their population in the last three decades (the Czech Republic, Slovenia and Slovakia). The smallest countries were the least affected by population loss, which were already the most vulnerable to the loss of human resources due to their overall capacities. Countries with the smallest population declines also achieved better results in building social capital. They could have a better perspective.

The corruption resistance scores (CPI 2023) correlate with the level of the rule of law: on the global scale, Estonia ranked 6th, the Czech Republic 29th, Romania 63rd, Bulgaria 76th and Hungary only 107th. The results achieved in the field of the rule of law have a direct impact on the prosperity of the TR11 countries. Given that the field of corruption is also linked to trust in institutions and civic and social participation, most of the TR11 countries still perform very poorly in both elements. Estonia, the Czech Republic, Slovenia and Slovakia had a civic and social participation index value of 46.1 to 52.4 (hybrid category). The lower part of the countries on the scale of prosperity achieved significantly worse values in civic and social participation: Croatia – 33.3; Hungary – 42.8; Romania – 20, and Bulgaria with 34.6 points, along extremely low resistance to corruption. A necessary condition for a strong step forward in improving prosperity should be a strong progress in several elements of the IS domain. Without improvements in the area of the rule of law, resistance from corruption, trust in institutions and functioning democracy, it is difficult to talk about the perspective of society (LPI 2023).

Table 3 Comparison indexes by domains of prosperity and selected elements

IP 2023	Country	IIS	IOE	IEP	IRoL	IIT	CPI	DI
84.6	Denmark	**89.7**	79.4	84.6	**86.9**	**73.8**	**90**	92.8
82.3	Netherlands	85.7	**79.6**	81.7	84.5	71.4	79	90.0
83.7	Sweden	86.9	78.5	**85.6**	81.1	72.9	82	**93.9**
77.3	Estonia	**78.6**	**72.3**	81.1	**74.4**	**63.1**	**76**	79.6
75.1	Czechia	75.9	69.7	79.6	65.6	52.5	57	**79.7**
74.5	Slovenia	73.0	68.8	**81.7**	55.3	50.2	56	77.5

Source: Transparency International: CPI 2023 – corruption perception index; IP –prosperity index 2023; IROL-role of law index; DI-democracy index; IIT-institution trust index; IIS-inclusive societies index; IOE-index open economies; IEP-empowered people index.

In 2023, Denmark was the best on the prosperity scale and the most corruption-resistant, as it found a package of suitable institutional solutions in line with social values in all three domains of prosperity. The differences in prosperity between the top ten countries and TR11 countries on the global prosperity scale were large. Analyses of the results of the top ten prosperous countries clearly indicate the importance of each domain on prosperity. Given the distinct imbalances between and within the domains of prosperity, most TR11 countries had difficulty with defining strategies and a dilemma: how to be integrated and remain oneself. The answer could be in the necessity of choosing priorities and importance between the domains of prosperity. The countries of Scandinavia and the countries of East Asia (Yew, 2021) can serve as examples of choosing the domain of prosperity and strategies that have enabled the realization of enviable prosperity and one's own social values.

6. CONCLUSION

The top seven prosperous member states of the European Union on the global scale of prosperity devoted the most attention to the domains of social inclusion and empowered people. In the economy domain, they achieved significantly lower values. The top three countries according to the value of the prosperity index (Denmark, Sweden and Finland) also achieved the highest index values in resistance to corruption, the rule of law, democracy, trust in institutions and high interpersonal trust. Transition countries, with the exception of the Baltic countries, had significant problems with resistance to corruption, the rule of law, trust in institutions, and almost all of them achieved low levels of interpersonal trust. Unlike to the leading seven prosperous countries, transition countries achieved significantly lower prosperity values and pronounced imbalances within the dimensions and domains of prosperity. Large differences in indexes within the domains and dimensions of prosperity indicate possible more frequent changes in priorities and persistence in reforms, or the selection of inappropriate institutions that have led to significant deterioration, i.e. decline or slowdown in prosperity. In the domains of inclusive society and empowered people, transition countries achieved imbalances twice as large as in the domain of open economies. But, the focus on the economy has not brought a significant improvement in the prosperity of transition countries in the past decade nor strengthened society. The dynamics of improving the prosperity domains of most transition countries in the past decade made them significantly far from the results of the top thirty countries on the global prosperity scale. Three decades after the transition began, seven of the eleven transition countries have lost between three percent and a quarter of their populations. Only four transition countries achieved population growth, and three of them, Estonia, the Czech Republic and Slovenia, were placed in the top thirty on the global prosperity ranking. In ten of the eleven transition countries, social capital was worryingly low. The transition from a state of more or less complete control of activities in all three domains of human activity to a state of complete liberalization without built institutions, has led to serious social and economic consequences everywhere. The idea that the problem of transition will be solved most easily or even quickly if left to the economic sphere has not brought the expected results. The findings show that countries have different social values, used different combinations policies within domains, and created different strategies in achieving high levels of prosperity. The seven most prosperous EU member states show that even within the single European market, different choices and strategies were possible in achieving a high level of prosperity and gain desirable social values. To improve the level of prosperity, transition countries must make their own choices.

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