

Abstract

This paper aims to explore the relationship between economic globalization and poverty and income inequality in Central and Eastern Europe Countries (CEECs). Despite the considerable research on the effects of globalization on poverty and income inequality, there is a lack of consistent conclusions and a specific emphasis on CEECs. To address these research gaps, we employ two-way fixed-effects regression model, country fixed-effects regression model, and random effects-regression model to examine the impacts of the KOF economic globalization index as well as its sub-indices on World Bank absolute poverty estimates and World Bank Gini index estimates using panel data of nine high-income CEECs from 2004 to 2020. Overall, the study suggest that economic globalization reduces both poverty and income inequality in CEECs, which contradicts the expectation that globalization may exacerbate income inequality. By disaggregating the impacts of economic globalization, the results show that trade and financial globalization can significantly reduce poverty yet only financial globalization can substantially decrease income inequality. Additionally, positive effects of restrictions are more robust than those of actual flows. These findings support policies that promote economic openness in CEECs to mitigate poverty and income inequality.