1992-2002: The Best of Times or the Worst of Times?

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Introduction

What is globalization? Theorists, the media, and people have discussed this phenomenon for decades. What does the future hold for a global world? People advocating a global world and those who are against it debate the pros and cons of the globalization process. Globalization is ubiquitous and when globalization is discussed, everyone has different images. Here, it is defined as the increasing rates of trade, foreign direct investment (FDI), and the flow of ideas across porous borders. This paper and this author posits that globalization is a phenomenon that exists (arguably as it has existed since the 1920s), but that it has increased since the end of the Cold War. The fall of the Berlin Wall simultaneously ended the bipolar structure of the world while conditions formed for further globalization. This leaves many questions for people and nations alike.

Globalization affects everyone's lives. Although, many may think that the financial and socioeconomic factors of some countries may not affect a person in Omaha, Nebraska; the global market has proved otherwise. The Asian Financial Crisis of 1997 proved to many political scientists and economists that the world was more globally integrated than previously thought. Also, books abound with theories of globalization in the fields of International Political Economy (IPE) and International Relations. In studying why some countries prosper more under globalization than others, this paper examines how the world develops under the increasing pace of our world. Some countries are winning the "game" of globalization while others are not. Porous borders increase the flow of imported and exported goods, and a country's access to financial markets, and migration.

The world is shrinking so much that it has been labeled a “global village.” Who is going to survive in this process? Are countries going to slip through the cracks and never prosper? Or, are all countries going to prosper as a result of the much-touted benefits of globalization? This paper will answer these questions. In the coming decades of globalization (assuming that this phenomenon is here to stay), many developing and industrialized countries will either have to answer the simple question of how to increase their prosperity or they may risk falling behind the pack. In doing so, a country may have to forego many of the benefits more prosperous countries receive, such as defining the new norms and rules of behavior. The countries that are behind often have to forego many of their internal and external wants in order to increase their foreign aid and investment. Through this, countries lose power. Therefore, in failing to prosper, a country loses more than strictly economic benefits.

Nation-states have much on their plates concerning globalization. The global economy and globalization cause nation-states to examine this question: what conditions cause success or failure in the global economy? Some states, like those in Southeast Asia, have adapted to globalization through trade barriers, export led growth strategies, supranational organizations, and regionalism. Even after the Asian Financial Crisis of 1997, Southeast Asia still manages to inspire fear in foreign businesses because of their export-led production and rapid industrialization. Europe adapts to globalization using regionalism and most of Europe has jumped onto the European Union bandwagon. Although, the success (or failure) of the EU is still being debated by publicists. This paper will examine some of the factors that could cause a country to prosper more than others. Therefore, *why do some countries prosper more under globalization?*

By prosperity, a country has increased its trade, technology, finance, and standard of living. When nation states are faced with the demands of globalization, many, in admitting to the porousness of their borders, opt to cooperate though regional integration. By so doing they reduce the external risks and maximize the benefits of trade benefits (Falk 1995). Furthermore, a

government's system must be flexible in order to prosper. It must also have rule of law and regulations allowing for an influx of capital. A successful country will have large levels of technology, attract foreign direct investment, and support a transportation system that connects one part of the nation-state with the other (Friedman 1999).

My dependent variable is a country's prosperity in globalization. When examining this question, I will analyze globalization from the period of1992 to 2002. I will examine five independent variables. A country's success in globalization may depend upon their participation in three different areas: International Organizations, regional free-trade organizations, or trade barriers. Second, I will examine my two "time" hypotheses: how long a country has been established and a country's financial and standard of living in 1992.

After I analyze why a country prospers more in globalization than others, I will examine the relationship between globalization and standards of living. Some argue that globalization has decreased the standard of living and social conditions everywhere by increasing homogeneity and class/country divisions. The recent protests at the World Trade Organization (WTO) summit in 1999 followed by the demonstrations in Italy at the G-7 summit demonstrate that globalization concerns many people. Theorists, heads of state, and individuals question their role in the process of globalization. Friedman writes that globalization is a train without a conductor (1999). Many quickly blame globalization because the rules seem less certain. Therefore, many people and theorists view globalization and the free-market economy not as a welcoming force, but rather, one that must be protested and ultimately stopped.

Globalization will stay until a new international operating system evolves onto the scene. As others have argued, globalization defines the process in the Post-Cold War Era. However, globalization is not only a process, but it could also be described as a new world order (Scholte 1999). In order to diagnose and to adapt effectively to the problems inherent in globalization, one must know how globalization works. In other words, what are the norms, rules, and behaviors that underline globalization? For example, if globalization deepens global inequality,

environmental degradation, and increased economic disparity, then the panacea must follow the guidelines of behavior that define it. In short, countries must follow the rules in order to evoke change and development.

A Review of Existing Literature

The global political economy field has three major theories: realism, liberalism, and structuralism. This paper builds upon abundant literature of liberalism thought. Liberal thought derived from a base assumption that each nation-state is not a rational, unitary actor. In other words, a country does not possess one mode of action or one foreign policy. Instead, the individual actors within a nation, for example, the bureaucracies, leaders, lobbyists, and policy-makers cannot make the state a unitary, rational actor. Liberalism thus recognizes the increased demands placed upon it by International Organizations (IOs), Non-Governmental Organizations (NGOs), Multinational Corporations (MNCs), and other concerned actors. The global economy then forces a nation-state to capitulate in order to receive Foreign Direct Investment (FDI) and to integrate into the global economy. Integration is important to many countries because it may ultimately increase their economies and well-beings. Of course, a nation-state may choose not to integrate or segue into the global economy. But the demands made by constituents and the heady call of the pot of foreign investment under the globalization rainbow, they ultimately enter the global economy.

By focusing first on the global economy, this paper is trying to accustom the reader with the three different, and often contending, paradigms in the field of globalization. Since the measurement of prosperity in this paper derive from the global economy, it is pertinent to examine the existing paradigms in greater detail. Paradigms by the very root of their nature spawn several theories from them. As this section will further demonstrate, each paradigm has

different theories that attempt to demonstrate the global political economy, regionalism, and the integration into these two forces.

Realism, illustrated first by Hobbes and Machiavelli (*The Prince),* solely depicts the state as a rational, unitary actor totally concerned with sovereignty. In other words, a state is self-interested and the world is zero-sum. Furthermore, it does not engage in cooperation and regional integration is impossible, at least in the long-term. Hegemonic theory evolved out of realism claiming that one state will forgo some of its interest for the advancement of other states. Hegemony, it is argued, stabilizes the international trading system (Guzzini: 2000). Kenneth Walz, Hedley Bull, and Robert Jervis argue that the international system is anarchical. The uncertainty derived from an anarchical international system cause states not to integrate because they cannot trust each other. A state will not want to cooperate if another state might gain as much, if not more, through integration.

Structuralism, or world systems theory, evolved out of Marxist thinking. Marxists assert capitalism is the central institution of the world. Marxists view capitalism as the institution of power (Poulantazas 1973, Palan 2000). Contemporary Marxists believe that institutions cannot be reduced to the layer of embedded class gains, but rather they are "over-determined" by the central institution of capital (Palan 2000). Marxism thought remains rooted in global political economic thought according to Palan (2000) by two main foci. First, according to capitalistic functions, capitalism produces both winners and losers. This failure towards egalitarianism is blamed on capitalism and the market, whereas neo-liberalists contend that the market will take care of the "losers." The second main argument for Palan is that labor is largely misunderstood in GPE. Marxists believe that economic growth is not a result of capital, but rather, from the invisible sweat of labor. Moreover, neo-Gramscians, such as Polanyi in 1944 attempted to explain why capitalism has been able to dominate the political and economic structure despite capitalism's inherent weaknesses. Writers after him, such as Robert Cox and other neo-Marxists, are able to account for capitalism's pervasive hold in the international political structure.

According to neoliberalism, the international system is anarchic as well but the nation state is not a unitary actor. Instead, neoliberals do not apply the rational, unitary model because the nation state has so many different actors and bureaucracies that compete for their own self-interests. The neoliberals argue that there is no one interest dominating all others. Another defining characteristic for the neoliberals is that power is distributed throughout the system. This creates a system of complex interdependence. Complex interdependence forms among nation-states, NGOs, IOs, MNCs, interest groups, bureaucracies, political elites, and the global financial centers. All these different actors, according to the neoliberals, act in a myriad of different ways forming a web of interaction. Thus, the international system is not defined solely by the nation-state. Liberalism argues that although the state might be a rational actor, it cannot act upon its interests because it is forced to recognize other demands. For example, a state must heed the demands of its constituents, other states, MNCs, IOs, NGOs, while economics and financial demands further cause a state to share its sovereignty. Neo-liberalism relies on an increased means of cooperation and flow of communication between nation-states. Neoliberalists draw upon the theory of integration, and view integration as a natural, but slow, process in which to maximize trade benefits and minimize external risks. In this, regions of the world tend to integrate into aggregate blocs.

Philips (2000) adopted a neoliberalist approach in maintaining that MNCs treat their businesses and their foreign investment as an integrated global political economy. Thus, by the very nature of their actions it has formed into an integrated political and economic system. Another proponent of neoliberalism, Bjorn Hettne (1999) posits that regionalism may become the basic unit, or actor, in the future world order. He argues that as regions of the world pool their resources together, integration then becomes a political process. He views this process of a new form of neo-mercantilism in a multi-polar world. In his eyes, regionalism and globalization form two complementary processes.

Functionalism is a component of integration theory. Functionalists have been trying to define the regionalism process in Europe for the past four decades. Ernest Haas (1973) first defined the functionalist model as relying upon a two-part process. First, decisions are shared and then delegated. Second, political expectations coalesce to a new center, in which case it happens to be integration. Functionalism lost favor by the 1980s because of its inability to account for the stop and go process of European integration. However, Schneider (1995) contends that functionalism spans both realism and neoliberalism. Realism argues that integration is not possible in the long-term basis. Whereas Robert Keohane (1982), drawing upon functionalism, claim that international regimes foster information exchanges which promote international cooperation and ultimately, integration. Keohane, drawing upon functionalist theory, maintains that actors all want some form of integration. Integration occurs because actors make one decision requiring cooperation, and then that cooperation "spills over" from one decision-making function to the next. All these decisions then aggrandize into integration. In short, integration is a "demand driven" social process.

Regionalism is another form of integration. Richard Falk (1999) advocates that regional formations reduce the negative features that are present in the global economy and political integration. He cites that Europe has integrated to aggregate capital and to maintain technological parity with both London and Tokyo, whereas Asia-Pacific has integrated as a means to trade and to foster investment growth. Also, regionalism maximizes advantages of a big market, and minimizes the threats of competitive operations beyond the region. Spruyt (2002) maintains that regionalism is a "suspect" subject and must be qualified. The weakening of the states is producing societal vulnerability in the world political economy and it is partly responsible for the Hedley Bull's anarchy. However, Spruyt claims that Europe and Asia-Pacific are the role models for regionalism. Thus, one would expect these two areas of the world to show the highest prosperity.

In examining markets and government intervention, Dani Rodrik (1997) designed a quantitative study to measure the openness of a country's market to the size of its government. Surprisingly, he found a positive relationship. In other words, the higher the integration into the global economy, the larger the size of the government's expenditure of the GDP. He theorizes that constituents demand more governmental assurance the more they are open to external risks, and as a result, the government increases their spending for national security or other internal programs.

Thomas L. Friedman (2000) describes with amazing detail and coherence the duality of globalization and how it affects world politics and interactions today. Globalization is about the quest for modernization and all the benefits derived, such as technology, information flows, and increased trade, whereas the olive tree symbolizes the underlying culture, values, and tradition a certain community or country may possess. Friedman's globalization characterizes a system of complex interdependence where one action may affect new chain reactions or unravel existing premises. Globalization is not a new phenomenon he argues, but it has been currently redefined through the Internet and increased trade, communication, and means of transportation. Globalization existed on a smaller scale in the 1920s, but today, he claims it is the dominant force in the international system today. Each functional actor under globalization understands the defining rules of this new era, defined by Friedman through the electronic herd, the golden straitjacket, and "DOScapital 6.0." Similarly, each actor is cognizant of its relative position in the scheme of things and to gain power and function it must don the golden straitjacket and occlude the electronic herd from stampeding.

The aggregate of globalization, not the parts, are defined through spontaneity, tacit agreements, and trial and error. For example, Friedman explained the influence of the electronic herd in determining global finance and trade. The electronic herd is not only the global financial centers but also global investors. In effect, the electronic herd creates a "Golden Straitjacket" that enforces certain trade practices on governments, bureaucrats, and policies to persuade trade

openness and globalization through profits and other economic incentives. Thus, globalization is spontaneous and also evolutionary. The regime's rules are not fixed, and therefore, globalization is not static. Like biological evolution a foundation exists from which to build upon, but the properties of globalization are always under change. Friedman writes in "The Lexus and the Olive Tree" that one of the defining properties of globalization is speed. Speed defines globalization primarily because globalization is based on technology with a strong emphasis on trade. Therefore, when certain technologies become updated or outmoded, the regime changes to accommodate the new causal factors. In this way, globalization is an evolutionary process.

This uncertainty in globalization as the international process for today has produced a backlash to globalization. This backlash ranges from cyber-violence to full-blown terrorism, as certain individuals feel empowered to struggle for their olive tree and not give into the quest for the Lexus. Friedman argues that in order to not only reduce the costs of globalization and to incorporate the so-called losers in the globalization structure, these "losers" should focus more on an economic structure permitting individuals and corporations to have freedom of entry and exit in the marketplace by using technology and a free flow of communication, i.e. "DOScapital 6.0." Friedman maintains that when these structures are combined with an economic cushion and a democratic political system, they will allow each nation-state to jump onto the globalization train effectively. However these countries must work hard to maintain their "DOScapital 6.0," and update it when necessary. Another means of reducing the costs involved from globalization is through alliances and diplomacy. Friedman generally focuses on trade alliances when it is more beneficial for any company or country to enter into global trade alliances and broaden their financial market, rather than sticking with a local market.

Finally, I adopt a neoliberalist perspective because I argue a state's borders are increasingly porous and that the state is not a rational, unitary actor. But, how do neoliberalists, the heavy advocates of a free-market economy justify counter the evils of globalization? It is not surprising that global disparity has many worried. The negatives of globalization do not stop at

increased disparity within nations and among nations of the world. The ever-widening gap has increased the North/South divide in which the so-called hemispheres argue over how the South will industrialize themselves and their right to development. Environmentalists worry about globalization's affect on the loss of biodiversity, the increase of MNCs polluting host countries, and the increase in the destruction of habitat. Not only environmentalists, but policy makers, and bureaucrats fret over globalization and how it will affect their corner of the world. Scores of NGOs and individuals worry how they will find their niche to survive in the new global "village."

As many answers to the problems of globalization greet the various definitions surrounding globalization. Globalization obviously presents questions to countries but also to the individual. The future leaves many in a quandary; and many will choose either to react or not to act at all. At the extreme side of the spectrum, there is terrorism and violence, but perhaps worse, is the self-induced apathy regarding a fate that many view as pre-determined. Globalization, and its effects, is not something that any one actor may control. Rather, they must act to minimize its negative impacts as much as possible through strong rules of behavior, rule of law, and accountability.

Theory & Hypotheses

Why do some countries prosper more than others? Has the standard of living increased or decreased as a result of globalization? These are the two questions I will answer in this paper. In attempting to answer the former question, I will pose five hypotheses. Four out of five of these hypotheses remain grounded in neoliberalism theory and also rest heavily upon the foundation presented in Friedman's seminal book, "The Lexus and the Olive Tree (2000)."

My first hypothesis is that the longer a country has been independent the more prosperity it will show from globalization. I believe that countries that have had independence the longest (evidenced via the current government structure) will be more prosperous. Countries that have

had their current government structures (disregarding changes from monarchies-democracies) will be more prosperous under globalization. A country needs time to institutionalize their system, norms of behavior, and rule of law. I assume that, although exceptions exist, if a country has been a sovereign state for a relatively long period of time, certain standards, rules, and norms enable that country to adapt to the changes resulting from globalization.

The correlating independent variable will use how many years a country has been independent. This uses the years listed in the *CIA World FactBook*. Some countries, such as the United Kingdom and Hungary have existed since the 1200s, but other countries have been in existence for only the past decade. A more established country should possess the implicit and explicit norms of behaviors, thus ironing out some of their internal problems. Examining how long a country has been independent also accounts for a country's history as a colony. I expect to find that the longer a country has been independent the more prosperity it will show from globalization.

My second hypothesis is if a country's level of prosperity is relatively high in 1992, the more prosperity it will experience from globalization. This examines how a country's relative position in 1992 relates to its success in globalization by 2002. In using 1992 as my starting date, I am able to account for the countries that have recently been created after the dissolution of the Soviet Union. This also is able to factor in a multipolar world, assuming that in 1992 the residues of bipolarity had dissipated and evolved into the present-day multipolarity. There is the adage that in order to make money, one has to have money. This hypothesis attempts to control for a country's prosperity in 1992. This said, if a country experienced a moderate, steady growth rate, then one may expect an increase but not a substantial increase. However, if a country experienced high rates of growth during the 1990s, then one would expect an ability to prosper

under globalization. Where a country began in relationship to other countries is an important measure and to control for exponential growth in the last ten years. Moreover, much of the North/South divide centers on the core argument that globalization strengthens industrial countries while further weakening developing countries. This will attempt to answer some of the backlash theory. The independent variable used in this paper to examine this hypothesis is each country's position in 1992. This variable tests the adage that "it takes money to make money." If a country was doing relatively well in 1992, then one would expect it to do relatively well ten years later.

My third hypothesis is that countries that enact the highest foreign trade barriers will have the least prosperity in globalization. This builds upon neoliberal theory. Neoliberalism maintains that the more interdependent and open a country is to the world market it will prosper more economically. Neoliberal theory firmly advocates a free-market economy by justifying that the market will take care of everything. Therefore, one would expect to find, according to neoliberal theory, countries that have lower tariffs should have a higher prosperity. The independent variable will be the amount of tariffs each country employs. This is a valid measure in how a country attempts to stave off the pressure of entering into the global market.

My fourth hypothesis is that countries that participate in more International Organizations will have the most prosperity in globalization. This attempts to study complex interdependence and integration. Again, this is a test of neoliberal assumptions. Neoliberalism stresses the importance of countries to achieve greater interdependence, communication, and transparency. Interdependence, communication, and transparency should increase prosperity in a country because it would allow a country to focus less on security and more upon well being, thus increasing a country's prosperity. These three things also allow a country to gain more stature

when avenues for diplomacy, trade, and global "connectedness" increase because all are necessary to survive (and prosper) in today's international system. As a result of interdependence alone, one would expect countries to enter into International Organizations to strengthen their connection with the rest of the world.

The independent variable corresponding to this hypothesis will examine how the number of International Organizations affects prosperity under globalization. This is a simple count of the organizations that have been listed in the *CIA World Factbook*. I am excluding all "observer" statuses for each International Organization because this is not an accurate measure of international participation.

Neoliberalism, as opposed to realism, extends its focus beyond the nation-state. Neoliberal theory stresses the importance of the web of connections between individual countries, International Organizations (IOs), NGOs, MNCs, ministries, and other bureaucracies. However, due to the limited scope of this study and the lack of readily available data, I use an abbreviated measure of International Organizations reported by the *CIA Factbook* in both 1992 and 2002 Although, I do not expect the number of International Organizations to increase or decrease dramatically over my time span, I do however expect to find that the more International Organizations (IOs) a county belongs to (from 1992 to 2002), the more prosperous it will be as a result. The IOs that are examined are institutions such as the World Bank, European Union, OECD, and NATO for example. For a more complete list, please visit www.cia.gov.

My fifth hypothesis will study the relationship between regional free trade and trade management organizations and prosperity. The more regional free trade associations a country belongs to, the higher the level of prosperity for that country. This belief is also firmly entrenched in neoliberalism by measuring complex interdependence but also free-trade and

capitalistic dogma. Neoliberals are strong advocates of free-trade and believing that the market will account for the losers. Some neoliberals advocate social safety-nets to disperse some of the risks, while others leave it to the market. The regional trade organizations that will be examined in this paper, will be the European Union (EU), Asian Pacific Economic Council (APEC), ASEAN, NAFTA and MERCOSUR. These trade organizations are, in my opinion, those that are the most influential in trade, finance, and most importantly, power. Although, I did consider Africa, there is not a substantial or powerful regional trade alliance that has shown any impact on the world market. These five organizations, then, will help determine if a country has prospered the most or not.

Finally, I will examine something different, but still on the spectrum of why some countries prosper under globalization and others do not. Much of the literature about globalization deals with the negative impact globalization has had upon countries and their standards of living. This design takes a slight twist on this tenet using prosperity and the United Nations Development Programme (UNDP) Human Development Index (HDI) for 2002. All indicators used for the HDI Index of 2002 are listed in the Appendix.

Nevertheless, I will acknowledge that a country's increase in finance or in trade ultimately may end up in the hands of the elites rather than those in the lower echelons of society. Thus, prosperity may lower a country's standard of living. How do I account for this axiom? First, I maintain that a country's citizens have opportunities that may not have existed previously. These opportunities range from increased education to increased access to health and education, and in some cases, access to international markets. Second, this paper examines only two variables, and these two variables are very condensed and cannot possibly account for the subtleties of population distribution and socioeconomic status. These two variables examine this

very phenomenon. That is, why does a country's standard of living decrease as a result of industrialization? However, this study is unique in that it is using an original measurement of prosperity against a staid measurement of human development, the HDI Index. Finally, this correlational design only examines the last ten years. It is not comparing standards of living before the time of globalization and after. It only accounts for the change in prosperity during globalization.

Moreover, globalization cannot be likened to industrialization and/or modernization because globalization is much more than just industry and trade. As previously demonstrated, globalization characterizes porous borders and the speed of communication, transportation, technology, and financial flows. I emphasize the importance of speed in globalization. Globalization is a force that is out of any actor's control but it has benefited many across the spectrum of socioeconomic classes.

Data & Variables

My dependent variable measures how well a country has prospered under globalization. I used the following indicators to create an index for my dependent variable:

- Amount of Foreign Direct Investment (FDI) as a percentage of GDP
- Number of telephones in a country
- GNP per capita
- Trade exports in US$
- Internet users

I chose these variables to represent four primary groups: technology, communication, finance, and trade. As illustrated previously, these are the areas that I believe globalization has affected the most in accordance with Thomas Friedman and neoliberal thought. My dependent variable,

which is an index of all these measures, will attempt to reflect changes in prosperity under globalization.

I compiled an index to create my dependent variable. The data was set up with the countries that existed in 1992 in the rows and the five measurements highlighted previously in the columns. For each column, there is the 1992 amount followed by the 2002 measure. I then took each variables' percentage change from 1992 to 2002. Next, a composite score was calculated using a Z-Score for the change in each of the five variables. A Z-score measures how the averages differ from the mean, or the standard score of for each variable. It arranges the scores on a bell-curve distribution. I then took the sum of the five Z-scores which gave me the dependent variable (prosperity) score for each country. The complete list of all the 141 countries used in this design may be viewed in the Appendix.

This correlational design is using a cross-sectional approach. It is studying the correlation and direction of change between my independent variables and the prosperity indicator between the years 1992 and 2002. How a country has prospered, or for that matter, not prospered under globalization is therefore being studied. Internal and external validity must be accounted for in my correlational design. Internal validity questions whether the independent variables are accurate measures in answering my dependent variable (prosperity).

In my correlational design, there are some problems with the internal validity in the selection of my independent variables. First, some historical or time factors may create problems in the data. In my study, the Asian financial crisis of 1997 may affect how a country's prosperity has changed since 1992. Moreover, any conflict, such as the Gulf War obviously affected the Middle Eastern states, especially Kuwait.[1] However, I contend that the measures gathered by my

[1] It must be noted here that Kuwait was not included in this study as a result of unavailable information.

study may discount most of the abnormalities because it is taking the amount of change over a decade.

Moreover, in using the year 1992 in my study, it allows me to incorporate countries that recently received their independence at the end of the Cold War. In using 1992, I will also be able to discount the residual effects of the Cold War. The Cold War was a bipolar world; the world we live in today is multipolar. That is, power is distributed among many rather than two countries. In using 1992-2002, it obviously accounts for a decade of change. Second, only sovereign states will be studied that existed in 1992. As sovereign, this excludes territories and disputed lands.

In my external validity of design, I attempted to incorporate all the countries existing in 1992. As a result of unavailable and inaccurate data, this paper examines only 141 countries. There are some countries that were not studied because they received their independence after 1992. For example, Bosnia Herzegovina and Slovakia received their independence in 1993 (*CIA World Factbook* 2002). Unfortunately, 29 countries were rejected as a result of unavailable information.[2] By using the majority, it can be concluded that it may be generalized to all of the countries of the world.

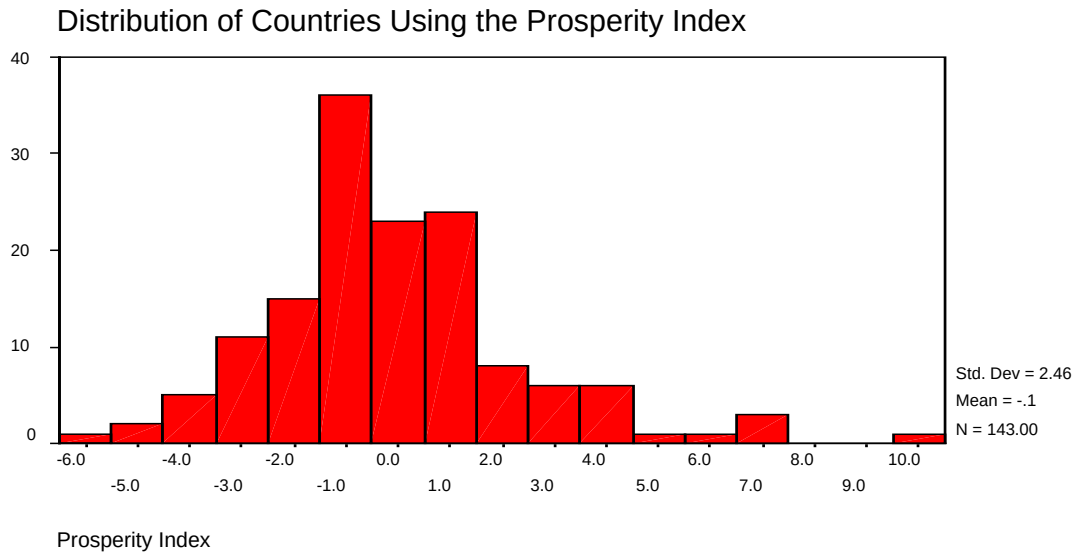
[2] For a comprehensive list of those excluded, please refer to the Appendix.

Methods & Results

In this section, the results of my five independent variables will be shown along with a discussion of their strength, direction, and impact upon the prosperity index. Using my dependent variable index, I ran multivariate and bivariate regressions against my five independent variables (tariffs, 1992 position, etc.). A regression tests ratio variables and their statistical significance. In using the regression model, I examined the R-square values and the unstandardized and standardized coefficients. Finally, I tested the relationship between the Human Development Index ranks for 2002 and my prosperity index by running a Pearson Correlation to test the strength and the direction of the relationship.

But first, the results of the prosperity index will be discussed. In *Figure 1*, the histogram shows the results of prosperity for each country studied. Each bar graph measures the amount of prosperity a country had experienced in the last decade. Those with negative results, have not prospered, but rather have declined in the last decade according to my prosperity index. Most countries in *Figure 1* have not prospered because one can quickly notice that the mean is a -1. In short, very few countries have prospered in the last decade under globalization. Referring to the list in the Appendix, one will notice that 61 countries have prospered, leaving 82 countries that have not prospered under globalization.

Figure 1



Furthermore, to better understand the extreme cases that have prospered the most and least, I have created the following list to better illustrate the above histogram. As expected, United States tops the list. The countries that have prospered the most are industrialized countries. However, three of the four Newly Industrialized Countries (NICs) top this list as well: Singapore, Thailand, and South Korea. Brazil, China, and Argentina also make the top 25, but this is not surprising considering that they have made enormous leaps in the last decade. The only country that is perhaps the most surprising is Angola. This is attributed to the fact that Angola greatly increased its Foreign Direct Investment, thus allowing a higher composite Z-score than would otherwise have been the case. Sadly, it is the only country in Africa to make the top 25. The 25 countries that have prospered the least are either in Africa or Asia with the exception of Yemen.

Table 1: The Haves and the Haves-Not in Prosperity

1	United States	119	Tanzania
2	Ireland	120	Gambia
3	Germany	121	Albania
4	Hungary	122	Vanuatu
5	Sweden	123	Benin
6	Canada	124	Guinea-Bissau
7	Thailand	125	Cape Verde
8	South Korea	126	Comoros
9	Netherlands	127	Mauritania
10	United Kingdom	128	Sudan
11	Belgium	129	Laos
12	Singapore	130	Guinea
13	Cambodia	131	Vietnam
14	Mexico	132	Burkina Faso
15	China	133	Nepal
16	Japan	134	Ghana
17	Chile	135	Cameron
18	France	136	Indonesia
19	St. Kitts & Nevis	137	Chad
20	Switzerland	138	Central African Rep.
21	Angola	139	Burundi
22	Finland	140	Bhutan
23	Brazil	141	Yemen
24	Argentina	142	Mali
25	Denmark	143	Guyana

In Table 1, the results of my multivariate regression are shown. The N of the sample dropped considerably with the addition of tariffs because data for tariffs was gathered for only 58 countries. The R^2 value was .537. This means that almost 54% of the dependent was explained. However, one must realize this is accounting for only 58 countries which is only 40% of the actual sample studied.

Table I: Countries & Prosperity, Multivariate Regression Model I

	Unstandardized Coefficients B	Std. Error	***Beta***
Constant	-3.393	1.420	
Regional Trade	1.409**	.500	.366
# Of IOs	.05855	.032	.215
Tariffs	-.01831	.019	-.103
Years Independent	.004698	.150	.150
Position in 1992	.222	.189	.189
N=58; R^2=.537	* = p< .05, ** = p< .01, *** p< .001		

The B column in unstandardized coefficients demonstrates the impact each variable has on the dependent variable. All of the variables demonstrate a varying relation and impact on the dependent variable. Only the number of regional trade organizations was statistically significant at the .01 level as indicated by the asterisks. The direction of the relationships between the independent variables and the dependent variable were as I expected; all showed a positive relationship except for tariffs. That is, if a country's tariffs were high, then a country's prosperity decreased.

The Beta column explains the amount of strength an independent variable exhibits on the dependent variable. In Table 1, if a country belonged to any number of a regional free trade organization in the last ten years, it was revealed to be the strongest independent variable. Thus, the null hypothesis may be rejected because it is the only statistically significant variable in this model. It then allows me to state that if a country belongs to a regional trade organization this has the greatest significance in explaining a country's prosperity.

However, this multivariate model only tested 58 of the countries examined in this paper. The data for tariffs only encompassed 58 countries. In order to have a more complete and comprehensive examination, I ran a multivariate regression excluding tariffs.

On a side note, tariffs are an interesting variable. It only accounted for 58 of the countries, but by itself, it is statistically significant. It is significant at the .05 level, with a significance of .034. It shows a relatively strong negative impact on the dependent variable, but its R-square value is only .078. This means that it only accounts for less than one percent of the dependent variable. However, I must stress that it does show the inverse relationship as I predicted in my hypothesis.

Below in *Table 2*, the multivariate model illustrates statistically significant figures for both the amount of regional free-trade organizations and IOs. However, the amount of IOs has a lesser impact than the former variable. In subtracting tariffs, the population increased to 141. If a country belongs to more regional trade organizations, it demonstrates the highest impact, strength and significance. The Beta values for the standardized coefficients was .394 for regional trade and .201 for the amount of IOs. This also correlates with the level of significance. As illustrated by the asterisks, regional trade is more significant than the amount of IOs. Moreover, these are the only two variables that have the strongest impact upon the dependent variable. Both null hypotheses may be rejected for the amount of regional free-trade organizations and IOs a country is a member of during the last 10 years. Thus, these two variables are the most significant in explaining their correlating hypotheses. This means that both the presence of regional trade organizations and the amount of IOs have a significant impact upon my prosperity index. However, the R-square value is .428 signifying that this only explains roughly 43% of my dependent variable. Therefore, 57% is unaccounted for in my dependent variable.

Table 2: A Country's Prosperity excluding Tariffs Multivariate Model II

	Unstandardized Coefficients B	Std. Error	***Beta***
Constant	-2.911	.785	
Regional Trade	1.914***	.430	.394
# Of IOs	.04201**	.019	.201
Years Independent	.004098	.003	.128
1992 Position	.06946	.095	.056
N=141; R^2=.428	** =p< .01	*** p< .001	

Both the "time" variables (a country's position in 1992 and the years independent) demonstrate neither impact upon the dependent variable in the multivariate regression nor statistical significance. They have little impact; although, the number of years a country has been independent is relatively strong by itself-it is not significantly relevant. Thus, it is worthwhile to examine their strength and their significance by themselves. In examining each of them via bivariate regressions, they are significant. However, this only means that these are spurious relationships because when they are included in the multivariate regression model, the relationship disappears once other major variables are controlled.

Finally, I tested the "backlash" to globalization. In testing the correlation between the UNDP's Human Development Index and my prosperity index, it examined if the change in prosperity has increased or decreased a country's standard of living. The Pearson Bivariate Correlation yielded a result of -.698. In the 141 countries studied, there is a strong negative correlation present between prosperity and the HDI index. Thus, as prosperity has increased over

the last ten years, the present-day standards of living in a country has decreased.[3] This runs in conjunction to the histogram discussed earlier. The mean of prosperity for countries was a -1 suggesting that most countries have not prospered in the last decade. In reviewing the complete list in the Appendix, it is interesting to note that 61 countries have prospered leaving 80 countries that have not.

Discussion

The two independent variables that deal with time do not have an impact upon prosperity in the last decade of globalization when combined with the other three variables. I attribute this factor to the speed at which globalization occurs. Thus, the lack of correlation in my two time variables supports Friedman's emphasis upon the speed of globalization. The two time variables were not relevant in the multivariate model. This means that the duration a country has existed has no factor in how well a country prospers in globalization. If a country's positions in 1992 or how long it had been independent were relevant, then these variables might disprove Friedman's emphasis upon the speed of globalization. However, since this is not the case, then Friedman's emphasis upon speed is pertinent and relevant to the discussion at hand.

Another interesting aspect of the insignificance of a country's position in 1992 is that it disproves the backlash adage claiming that globalization only makes the industrialized countries richer and the developing countries poorer. If a country's position in 1992 had been significant, then part of the change in prosperity could have been explained by a country's relative prosperity measurements in 1992. Some things may account for this. First, 1992 could have been an odd year in which prosperity measurements were skewed; however, I believe the likelihood of this having an impact upon the variable is small. Second, as previously illustrated, regional free-trade

[3] For a comprehensive list of what is included in the HDI, please refer to the Appendix.

associations had the greatest impact in explaining a country's prosperity. Most free-trade associations became powerful and forceful in the last decade and were not a viable entity in 1992. These two factors may help explain why a country's position in 1992 is not an important variable. However, I stress that this demonstrates that the adage of richer countries becoming richer cannot be upheld using this study. A country's position ten years prior does not indicate whether a country will prosper, or will not prosper, in the future. This further stresses Friedman's emphasis upon the speed at which globalization conducts itself.

The number of tariffs a country applied to foreign goods also exhibited an inverse relationship in the bivariate model as hypothesized. However in the multivariate model, neither were tariffs significant nor was there any impact of tariffs upon the dependent variable. When tariffs were scrutinized alone, it is interesting to note that it shows significance at the .05 level but it only accounts for less than one percent of the dependent variable. In short, the presence of tariffs explain little of the dependent variable. However, the overall direction of the relationship bears significance upon neoliberal theory in that the best way to prosperity is through an open and free trade market. Perhaps with more comprehensive data, a stronger case could be made to support this hypothesis.

Furthermore, neoliberal theory helps to explain the strength and validity of both IOs and regional free-trade organizations in explaining prosperity. I hypothesized that the more IOs and regional free-trade organizations a country belonged to, the more prosperity a country experiences under globalization. As a country becomes more enmeshed within supragovernmental organizations and regional free-trade organizations, it will increase a country's ability to prosper. However, it must be noted that about 60% of the dependent variable is left unexplained in this design.

Generalizability & Limitations

This correlational design studied almost every sovereign country existing in the world at present. However, some countries have been excluded as forementioned, but the results may be generalized to them as well.

One of the limitations in using data from two time periods is the possibility that analysts gathered the data employing different models. Also, for my data concerning tariffs a country imposes, it was hard to find data using my two times of 1992 and 2002. I used the data closest to those years as possible while assuming little change. Another limitation was the scope of the correlational design. Prosperity remains a difficult term to define. Every author defines prosperity differently. It is also difficult to account for every possible relationship while also trying to determine if these relationships are spurious. Many factors may account for a country's prosperity, and I studied only five. But this is the problem with any design; various unknowns exist with any question.

Second, my dependent variable may not accurately account for prosperity. In examining the amount of Internet users for each country, organizations did not record the amount of Internet users in 1992. However, one of the defining characteristics of globalization is the speed at which globalization occurs. Although, I hesitated in using the Internet measure as part of my dependent variable, I nevertheless feel it is an accurate measure of prosperity.

Third, many developing countries had to be excluded. Most of these countries could not be used because I could not locate accurate data for the amount of telephones and/or FDI a country had in 1992 or even 1993. Therefore, I fear that the results of prosperity cannot account

for the whole world. Most of the countries that have not prospered in the last ten years are in Africa. Excluding developing countries only diminish the span of how well countries prosper.

Lastly, the years in which data was gathered for tariffs are not uniform. For some countries, two years were given (in which case the average was computed) and the years for available data ranged from 1989 to 2002. In this case, not only were tariffs a small N, but its results, I do not consider the best. However, it was the best free datum available.

Conclusion

Friedman wrote that they "talk about globalization as a choice. Globalization is a reality (p93 2000)." It is a reality of the double edge of a sword. If a country wishes to share a little of its sovereignty, then it might have a decent chance at prospering. If a country lowers its tariffs, jumps onto the bandwagon of regional free-trade organizations, and becomes a country that heavily participates in International Organizations, then possibly, it might prosper in the next, say, ten years. Although, these factors were significant in the last decade, they may not hold true for the future.

Friedman was right when he wrote that countries can choose but only to their detriment. Globalization is a reality. Each country may choose whether to prosper or restrict the process of globalization as much as possible. However, not all countries get the time to implement safety nets or strong institutions. Some developing countries have no choice, however, but lower their national standards in order to attract financial capital. As a result, they often capitulate by lowering their environmental and business standards to entice corporations and revenue to their countries. By reducing tariffs, leaders indirectly bombard the market with foreign goods while domestic goods (jobs) are lost as a result. People may witness this in the United States today.

Therefore, prosperity in globalization was best explained by both the presence of regional trade organizations and the amount of IOs. My results were in the directions I expected. However, I did not expect the relatively strong inverse direction between prosperity and a country's standard of living. Moreover, 60% of the change in my prosperity index cannot be explained by the presence of regional trade organizations, the amount of IOs, the 1992 position, and the number of years a country has been independent. This leads to many new avenues and approaches of study to answer why a country prospers more under globalization. If someone were better equipped with data from a variety of resources, more complete measures could be studied rather than the abbreviated variables studied here. Also, one important avenue in which to study is how economic policies and political institutions affect how a country prospers. It would also be an interesting study to examine how the rural/urban composition affects a country's ability to prosper. That is, if certain city politics and policies allow for there to be a greater increase in prosperity under globalization. Finally, another avenue of approach would examine how connected a country was to the financial centers of the world and to the financial transactions of a country. However, the latter would be an extremely complicated design that probably cannot be studied with data available presently.

This study has emphasized the importance of complex interdependence. The presence and the amount of both regional free-trade organizations and IOs have had the greatest strength and impact in explaining prosperity. This correlates with neoliberalism. Neoliberals are heavy advocates of complex interdependence and state that its presence will aid and improve global relations. Furthermore, complex interdependence sustains integration. Countries integrate to reduce their vulnerability and their uncertainty. When countries admit their vulnerability and integrate, they are, almost by default, reducing their national interest and furthering their national

cause vis-à-vis a regional cause, and ultimately, a global cause. Thus, globalization is correlated to complex interdependence. This paper has suggested that by integrating and becoming more dependent upon other states, a country may increase its prosperity.

My study raises the question how can anyone know what the next few years hold? If models are studied to better understand the present and the future, then time in this study was irrelevant. The model in this paper has demonstrated that a country's prosperity is best explained by the presence of regional free-trade associations and the amount of IOs. This may not hold in subsequent years. Thus, Friedman's speed negates any discussion of the relevance of duration.

In emphasizing the speed at which globalization occurs, then the backlash axiom stating that richer countries get richer while poor countries get poorer in globalization is wrong because a country's position in 1992 had no impact upon prosperity. This paper suggests that this theory is false. A country's relative position in 1992 had no bearing whatsoever on a country's current prosperity after controlling for tariffs, FDI, the amount of years independent, and the amount of regional trade and international organizations. Thus, the many who cite globalization as a cause for increased global disparity do not comprehend, or are willing to admit, how pivotal speed is in the process of globalization. Thus, a country's position presently probably will have little effect upon where it will be in another ten years.

Nevertheless, this paper has demonstrated that as a country has increased its prosperity, its standard of living has decreased. This builds upon developmental theories that suggest as a country industrializes, its standard of living decreases. Industrialization often gets lumped together with globalization and/or modernization. It seems, therefore, that not only industrialization and modernization can account for a decrease in the standards of living, but in addition, the prosperity index used in this design.

Sadly, it seems that developing countries have little choice in the matter of globalization. To globalize is to integrate into the world economy and focus on a global objective rather than a national or local one. Globalization is the lightning-fast speed at which multiple interactions and integrations occur across all spectrums of life. In this respect, globalization is a reality. But countries always have choices. They may choose not to integrate and try to stem the negatives of globalization from encroaching upon their borders. As this paper has shown, by not integrating and admitting to the importance of complex interdependence, a country then chooses not to prosper. But in not prospering, will their standard of living be even worse?

This paper has not explored the intricacies involved with the decrease in standards of living compared in 1992 and then in 2002. I am willing to claim that if a country does not globalize, then chances are that the standards of living would be even worse. The technology, innovation, and ideas exchanged as a result of globalization can benefit all countries. Countries, as suggested by Friedman, have to install safety-nets to protect countries from the vices of globalization and to protect their culture and environment. Although, not examined in this paper, strong political infrastructures, accountability, transparency, and rule of law will probably be the most important factors in helping countries to not only prosper but to increase their standards of living as well. However, the fact still remains that today the standards of living have decreased strongly in relation to the change in prosperity. If time has no bearing upon the change in prosperity, then countries will need better solutions than time in dealing with globalization. Nonetheless, it will be interesting to watch the globalization process in the years to come.

Appendix

I. Description of Secondary Sources and Variables Used

A. *CIA World Factbook*

Variables Derived from the CIA World Factbook:

- Number of cell phones in a country
- GNP per capita: Power Purchasing Parity (PPP)
- Trade exports in US$
- Internet users
- Number of televisions

Every year, the CIA compiles data ranging in topics from its political, trade, communications, and geographical information on every country and territory in the world. It originally began as a collaboration with the National Intelligence Survey (NIS), and the first classified *Factbook* was published in 1962 and later became available to the public in 1975. I believe this data to be reliable in that the CIA not only prides itself on being able to retrieve accurate data for every country, but they also rely on this fundamental data to make many of their more classified decisions. Data from the years 1992 and 2002 were examined in this study.

B. *International Bank for Reconstruction and Development*

Variables Derived from the IBRD:

- Foreign Direct Investment (FDI)
- Simple Mean Tariff %

My second source for secondary data has been compiled by the International Bank for Reconstruction and Development (IBRD). This agency is a sub-set of the World Bank that attempts to reduce poverty and improve living standards in developing countries. As it is a subset of the World Bank that has been in existence since 1948, I must rely that it is perhaps the best international organization (IO) in which to rely upon for data concerning Foreign Direct Investment. However, I could only find data concerning 1990 and 2002. Therefore, it must be noted that these are the dates utilized in my paper. , I will only have a nine-year time frame instead of a decade. However, I argue that the dates are still valid measures. Foreign-Direct Investment, although it will have changed somewhat, in very few cases could it be argued to have changed substantially. Simple Mean Tariff % studied two years for each country. Unfortunately, the two years given were not the same years as this study. Most countries did not dramatically change their tariff percentages, and thus, I will argue that a few years change could not have caused much variance. I have included them as such, but have included the attached table for further perusal.

C. *Human Development Index*

The United National Developmental Programme each year publishes the Human Development Report in which includes their Human Development Index (HDI). It uses a variety of measures, such as real GDP, educational attainment, life expectancy, average deprivation, and GDP deprivation. UNDP also strives to make this index gender-sensitive and to keep time as a constant in each year studied. Then, it compiles a composite number for each country and ranks each country. This is supposed to demonstrate not only global disparity but be a straightforward means in establishing standards of living in each country of the world.

For a complete listing in how the UNDP gathered and computed its index, please visit its website at www.undp.org.

II. Prosperity Index

A. Countries that prospered under globalization (in rank order)

1. United States
2. Ireland
3. Germany
4. Hungary
5. Sweden
6. Canada
7. Thailand
8. South Korea
9. Netherlands
10. United Kingdom
11. Belgium
12. Singapore
13. Cambodia
14. Mexico
15. China
16. Japan
17. Chile
18. France
19. St. Kitts & Nevis
20. Switzerland
21. Angola
22. Finland
23. Brazil
24. Argentina
25. Denmark
26. Spain
27. Italy
28. Israel
29. Australia
30. St. Lucia
31. Azerbaijan
32. Iceland
33. Nicaragua
34. Trinidad & Tobago
35. Portugal
36. Austria
37. Kazakhstan
38. Equatorial Guinea
39. Mauritius
40. Poland
41. Dominican Republic
42. South Africa
43. Lesotho
44. Seychelles
45. Barbados
46. Bolivia
47. Costa Rica
48. Russia
49. Malta
50. Estonia
51. Uruguay
52. Croatia
53. Malaysia
54. Latvia
55. Rwanda
56. Venezuala
57. Peru
58. Bulgaria
59. Papau New Guinea
60. Slovenia
61. Iran

B**. Countries that did not prosper under globalization (in rank order)**

62. Turkey
63. Colombia
64. Mozambique
65. Armenia
66. Tunisia
67. Philippines
68. Botswana
69. Malawi
70. Jamaica
71. El Salvador
72. Algeria
73. Lebanon
74. Grenada
75. Jordan
76. Belarus
77. Panama
78. Republic of Congo
79. Ecuador
80. Gabon
81. Mongolia
82. Zimbabwe
83. Cote D'Ivoire
84. Djibouti
85. Romania
86. Kyrgyzstan
87. Uzbekistan
88. St. Vincent
89. Sierra Leone
90. Zambia
91. Paraguay
92. Togo
93. Ukraine
94. Egypt
95. Tonga
96. Syria
97. Sao Tome & Principe
98. Maldives
99. Uganda
100. Moldova
101. Kenya
102. Haiti
103. India
104. Nigeria
105. Niger
106. Morocco
107. Ethiopia
108. Sri Lanka
109. Guatemala
110. Madagascar
111. Pakistan
112. Belize
113. Senegal
114. Swaziland
115. Solomon Islands
116. Bangladesh
117. Fiji
118. Dominica
119. Tanzania
120. Gambia
121. Albania
122. Vanuatu
123. Benin
124. Guinea-Bissau
125. Cape Verde
126. Comoros
127. Mauritania
128. Sudan
129. Laos
130. Guinea
131. Vietnam
132. Burkina Faso
133. Nepal
134. Ghana
135. Cameroon
136. Indonesia
137. Chad
138. Central African Republic
139. Burundi
140. Bhutan
141. Yemen
142. Mali
143. Guyana

C. Countries not included in the Prosperity Index

1. Andorra
2. Antigua-Barbados
3. Bahrain
4. Brunei Darussalem
5. Burma
6. Cuba
7. Democratic Republic of Congo
8. Georgia
9. Greece
10. Honduras
11. Iraq
12. Kiribati
13. North Korea
14. Kuwait
15. Liberia
16. Libya
17. Liechtenstein
18. Lithuania
19. Luxembourg
20. Macedonia
21. Marshall Islands
22. Micronesia
23. Namibia
24. Nauru
25. New Zealand
26. Niue
27. Norway
28. Oman
29. Qatar
30. Saudi Arabia
31. Somalia
32. Suriname
33. Tajikistan
34. Turkmenistan
35. Tuvalu
36. United Arab Emirates
37. Afghanistan
38. Turkish and Greek Cyprus
39. San Marino
40. Monaco

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