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**MASTER THESIS**

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| <b>GLOBALIZACIJOS POVEIKIS<br/>LOTYNŲ AMERIKOS<br/>BESIVYSTANČIŲ ŠALIŲ<br/>EKONOMINIAM VYSTYMUISI</b> | <b>THE IMPACT OF<br/>GLOBALIZATION ON<br/>ECONOMIC DEVELOPMENT<br/>OF EMERGING COUNTRIES<br/>OF LATIN AMERICA</b> |
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## INTRODUCTION

Although globalization as a phenomenon has been widely discussed more recently, it may indeed be quite old, depending on how the concept of globalization is understood and interpreted. There is no doubt that the communication between nations began much earlier than the use of globalization as a concept, but only in recent decades it has been widely and in detail discussed about the impact of this phenomenon to markets, both economically, legally, and socially. In particular, there is no consensus on the common concept of globalization, and even more so, on its impact on various countries and society. It is known that globalization may have impact on all dimensions discussed above, but it is also understood that the impact is not and cannot be unambiguous – the impact may vary from region to region and country to country, depending on many and various factors. The impact of globalization is and can be examined through various prisms, but one of the most relevant areas is the impact of globalization on countries' economy. The scientific literature has mostly focused on the impact of globalization on already developed countries, although research focusing on emerging economies and developing countries is becoming increasingly popular nowadays. Such countries are a key focus in this work as well. The disagreements and intense debates about what are the effects and how they change, whether these effects are more beneficial to certain countries than others, etc., are present. While some authors look at the impact of globalization positively, others view globalization with distrust and discuss its downsides. For example, Coulibaly, Erbao and Mekongcho (2018) argue about positive globalization impact on economy of selected countries and conclude that it contributes to rapid economic growth. Similar positive results are concluded in papers of Dreher (2006), Gygli, Haelg, Potrafke and Sturm (2019), Potrafke (2015) and Santiago, Fuinhas and Marques (2020). Arslan, Contreras, Patel and Shu (2018) conclude that trends are not uniform across the countries and the impact might be two-sided. Twofold conclusions are also found in studies by Mukherjee and Krieckhaus (2011), Rudra and Tobin (2017) and Zeibote, Volkova and Todorov (2019). Even if less, there are studies that argue about the minor or even negative effects of globalization as well (Bergh and Nilsson, 2010; McMillan and Rodrik, 2011). Different results are determined by different methods, assumptions, data used, and especially different interpretations of globalization, the choice of its assessment, and the region or countries being assessed.

This paper as well analyzes the impact of globalization. Although the topic of globalization is widely argued in the modern world through various prisms, this paper focuses on the effect of globalization on emerging economies of Latin America such as Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay. The

paper is significant due to its look at the globalization impact on economic development not only from economic growth point of view, but also from areas such as poverty and inequality. This paper mainly provides ideas for further theoretical and practical research on this topic, provides guidance which factor in assessing economic development could be examined more broadly in the context of globalization, and most importantly, reveals whether promoting globalization can increase selected countries' economic development, thus, provides rather helpful insights for further plans of countries' economic development.

### **Research question of the thesis**

Globalization is often understood as a good and achievable phenomenon itself on economic development, however, it can affect differently as well – it can contribute in a positive, stimulating way, but can also do the opposite. Thus, this paper seeks to answer the question, what impact does globalization have on the economic development of the emerging countries of Latin America?

### **The aim of the thesis**

To evaluate how globalization affects the economic development of the emerging countries of Latin America.

### **The objectives of the thesis**

1. To review and define the theoretical aspects of globalization and economic development concepts and evaluation methods.
2. To reveal and compare insights of the interrelationships and influence of globalization and economic development found in scientific literature.
3. To define a conceptual framework in order to study the impact of globalization on the economic development of the emerging countries of Latin America.
4. To evaluate the impact of globalization on economic development of the emerging countries of Latin America by applying the derived conceptual framework.
5. To compare the results of the impact of globalization on economic development with the previous studies.
6. To present the results, conclusions and recommendations for future research and applications of the results.

## **The object of the thesis**

The impact of globalization on economic development of the emerging countries of Latin America.

## **The methods deployed in the thesis**

This paper analyzes the literature sources related to globalization and its impact on economic development, delves into the concepts of these two aspects, evaluation methods and interrelationships and influences, and provides insights of other scientific works. Various studies that cover different countries and time periods are also examined, and their results are compared. All analysis of the scientific literature is performed using the method of narrative analysis. During the empirical research, a secondary data analysis of 13 emerging economies of Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay) is performed by applying Generalized Method of Moments (GMM). By employing this method, statistical work tools are used, and the results and data are presented via tabular representation.

## **Structure of the thesis**

The paper is divided into two main parts – an overview of the theory of the impact of globalization on the economic development of the emerging countries of Latin America and a research part consisting of a quantitative study. The detailed structure of the paper is listed below:

1. Literature analysis consists of five sub-parts:
  - 1.1. *The debate on the concept of globalization.* The chapter reveals the ongoing debate of the concept of globalization, analyzes and compares various concepts of globalization and provides the definition of globalization.
  - 1.2. *The measurement of globalization.* This chapter explains the complexity of measuring globalization, discusses, and compares different indices available and concludes the most appropriate index for measuring the globalization nowadays.
  - 1.3. *The emerging countries of Latin America in the context of globalization.* The chapter reveals the evolution of globalization in Latin America, discusses and compares emerging countries of Latin America in the context of globalization and identifies factors that led to the development of globalization.
  - 1.4. *The concept and measurement of economic development.* The chapter discusses and compares different approaches to the concept of economic development, identifies and compares different measurements and assessments of economic

development and summarizes the most appropriate indicators for measuring economic development.

- 1.5. *Economic development of the emerging countries of Latin America.* This chapter discusses the dynamics and factors of various indicators for measuring the economic development of the emerging countries of Latin America.
  - 1.6. *The link between globalization and economic development.* The chapter discusses and compares the effects of globalization on the different indicators of economic development in general and compares the insights with the impact on the emerging countries of Latin America.
2. Research consists of two sub-parts:
- 2.1. *The methodology of the empirical research.* This chapter includes the creation of conceptual framework and describes the purpose of the study, the objectives, the data and the methods used.
  - 2.2. *The results of the empirical research.* Following the conceptual framework discussed in the previous chapter, this chapter discusses and interprets the results obtained, revealing the impact of globalization on the economic development of selected countries.

The conclusions and recommendations of the paper are also presented.



# **1. LITERATURE REVIEW ON GLOBALIZATION AND ECONOMIC DEVELOPMENT**

## **1.1. The Debate on the Concept of Globalization**

The concept of globalization originated in the 20<sup>th</sup> century, when it began to be used in various areas of life and science (Urbšienė, 2011). Since then, it has been actively explored by various academics, both economists and sociologists, as they took the initiative to evaluate and define it. It has become extremely common to use the word “globalization” in the context of the modern world referring to global processes and phenomena of ongoing processes. Due to the lack of the definition of this concept from the outset, many began to interpret it in their own way and use it in a variety of different contexts, not all with the same in mind. Therefore, it is first and foremost crucial to understand and define the concept of globalization to avoid any ambiguity in the assessment of the effects of globalization later. Unfortunately, there is still no uniform definition on this subject, as the concept can be viewed through many prisms and interpretations. According to Steger (2008, as cited in Urbšienė, 2011), there is still a lack of consensus among researchers as to what social processes are at the essence of globalization, and it is one of the reasons why its very concept is still controversial. Fischer (2003), Martens and Rennen (2003) as well as later Al-Rodhan and Stoudmann (2006) and Burlacu, Gutu and Matei (2018) call the globalization even a complex and inhomogeneous, multifaceted phenomenon. On the other hand, the diversity of concepts of globalization makes it possible to discuss and analyze different approaches together and compare, and ultimately lead to the formation of a common understanding of globalization nowadays.

The complexity of this concept and its modern understanding can be partly explained by the history of the concept’s formation and its further development. However, it is not easy to attribute the author to this phenomenon, and even the very beginning of the use of this word (not just the concept itself) is complex as the development of “globalization” is “many-branched” (James and Steger, 2014). Even if the term “globalization” is said to be first used in 1951 (Green, 2013, as cited in Mikalauskiene, Štreimikienė, Mulagalejeva, 2016), the globalization as a concept has its roots in the 1930s; nevertheless, the early uses of the word date back until the 1970s, as only later the concept began to gain popularity. Similar to today, the concept had many different interpretations, and in particular the term “globe” was not even commonly associated with the term “world” – it could mean both local and regional, and the notion of the concept encompassing the whole world evolved many years later (Dufoix, 2013; James and Steger, 2014). The first

attempts to use this word did not involve at all what is called “globalization” in the modern context and was rather related to education and knowledge (Lamy, 1976). Moreover, these first attempts to use the word “globalization” did not, in principle, even explained what it was; the authors were using it without a detailed definition of how they understand this phenomenon (James and Steger, 2014). One of the firsts to define globalization, at least in part as it is roughly understood today, is believed to be Perroux (1962), however, this was not entirely clear either, as the original essay was translated from French and does not reflect the exact use of the terms (Dufoix, 2013; James and Steger, 2014). Therefore, despite the ever-emerging notion of globalization in academic works during the 1930s and 1970s, globalization at that time did not become an active and relevant object of discussion among any public and academic figures and has not been clearly developed and defined.

According to Fischer (2003), the popularity of the concept of globalization has been growing since the 1980s and it has even become one of the most debated topics in the 21<sup>st</sup> century. It is observed that the attempts to define globalization usually depend on whether the descriptive side benefits from it or loses out (Ritzer, 2003). Moreover, the way the concept of globalization is interpreted also depends on “political ideology, geographic location, social status, cultural background, and ethnic and religious affiliation” (Al-Rodhan and Stoudmann, 2006, p. 3). This paper also endorses the ideas of Ritzer (2003) and Al-Rodhan and Stoudmann (2006) for explaining why the perceptions differ. From the similar perspective, globalization is often described in terms of internationalization, liberalization, universalization, and westernization. This is well illustrated in Table 1, where several definitions which emerged since the 1990s are given.

**Table 1**

*The definitions of globalization*

| <b>Author</b> | <b>Year</b> | <b>Definition</b>  |
|---------------|-------------|--|
| Albrow, King  | 1990        | “... all those processes by which the peoples of the world are incorporated into a single world society.”  |
| Ohmae         | 1992        | “... globalization means the onset of the borderless world...”   |
| Harvey        | 1996        | “...a spatial fix for capitalism and an ideological tool with which to attack socialists.”   |
| Daly          | 1999        | “Globalization refers to global economic integration of many formerly national economies into one global economy [...]. [...]. What was many becomes one.” |
| Neeraj        | 2001        | “...it is nothing but ‘recolonization’ in a new garb.”   |
| Fischer       | 2003        | “... the ongoing process of greater interdependence among countries and their citizens...”   |

Source: compiled by the author based on Albrow and King, 1990, Ohmae, 1992, Harvey, 1996, Daly, 1999, Neeraj, 2001, as cited in Al-Rodhan and Stoudmann, 2006; Fischer, 2003

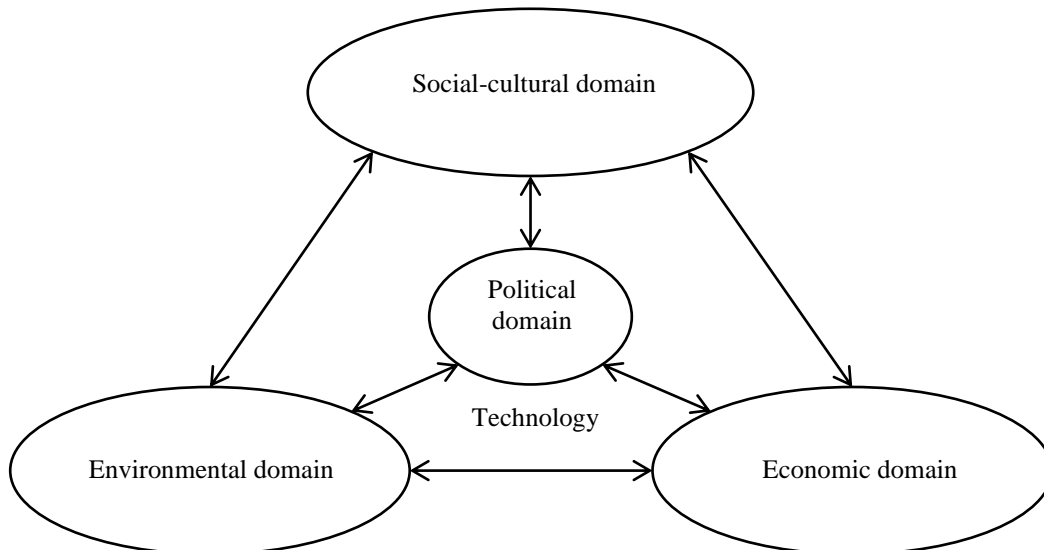
The research of several scholars who have extensively analyzed the globalization during 1990s and early 2000s only confirms that there is no common concept and view to this phenomenon. In the excerpts of Albrow and King (1990, as cited in Al-Rodhan and Stoudmann, 2006) and Daly (1999, as cited in Al-Rodhan and Stoudmann, 2006), manifestations of the concept of universalization can be recognized, as both speak of becoming one and / or a single society. Here, in the excerpt of Ohmae (1992, as cited in Al-Rodhan and Stoudmann, 2006) in Table 1, manifestations of liberalization are expressed (“borderless”), while Fisher (2003) speaks of internationalization, which is revealed by the interdependence mentioned in his explanation of the concept. Contrary, there is also a completely opposite view of globalization, which Harvey (1996, as cited in Al-Rodhan and Stoudmann, 2006) and Neeraj (2001, as cited in Al-Rodhan and Stoudmann, 2006) describe more as a westernization – a phenomenon that is often interpreted as a kind of colonization or even Americanization. However, Scholte (2005, as cited in Martens, Caselli, Lombaerde, Figge and Scholte, 2015; 2008) notes that globalization involves much more than those four concepts above – he also involves the concept of globalization as deterritorialization, where social relations are “supraterritorial”. Those connections are global when they are autonomous from territorial places, distances, and borders (Martens et al, 2015). Therefore, the globe is not a collection of smaller territorial parts, but a separate arena of social life (Scholte, 2008). Such explanation is developing an approach to globalization as an unprecedented phenomenon.

Moreover, in the modern assessment of globalization, it is debatable whether globalization is a single or pluralistic phenomenon. Here, too, the complexity and inhomogeneity of the concept of globalization become apparent. Those, who support Scholte’s understanding of the concept of globalization, view globalization as a single process that encompasses only the global scale and argue that understanding of globalization should be separated from linking the concept to internationalization, westernization, universalization, or liberalization (Figge and Martens, 2014). However, Figge and Martens (2014) argue that complexity of globalization calls for integrated, but also pluralistic approach. They endorse the definition of Jones (2010, as cited in Figge and Martens, 2014) who states that globalization is “the growing interconnectedness and interrelatedness of all aspects of society” and adds multidimensionality and multiscalearity to their definition. It means that the globalization encompasses the national, regional, international, and global processes which all are interconnected. In this case, there is no need of paying the attention to the fact that the concepts of globalization and internationalization, universalization, westernization, or liberalization are used interchangeably, as a distinction between these concepts is not necessary from a pluralistic point of view.

The pluralistic approach is well illustrated by Martens and Rennan (2003) model (see Figure 1) where no clear boundaries are drawn between the various dimensions of globalization identified.

**Figure 1**

A pluralistic approach to globalization



Source: Martens and Rennan, 2003, p. 143

This model depicts interrelations and interactions between different dimensions of globalization. Technology is portrayed here in the role of mediation as technological development is always a part of the practices of other remaining dimensions. Such a pluralistic approach allows globalization to be perceived as a phenomenon which is made up of many interrelated processes taking place in all dimensions of globalization (Martens and Rennan, 2003; Martens and Raza, 2009). In addition, Caselli (2013) also supports the pluralistic approach and concludes the concept of globalization similarly to other researchers as the multiscalar and multidimensional process.

After summarizing the views of different authors on globalization and the concepts presented, the understanding of Figge and Martens (2014) is endorsed in this paper and agreed that the key features of the concept of globalization should be ultimately multidimensionality and multiscale. The idea that globalization is a complex and multifaceted phenomenon, made up of several different dimensional and scalar processes, is supported. Thus, the following statement is made in this paper – globalization is a multi-dimensional and multi-scalar process of increasing

the interconnectedness and interrelatedness of various aspects of society (including but not limited to economic, social, political, environmental, etc. spheres).

## 1.2. The Measurement of Globalization

The measurement of globalization is a fundamentally new phenomenon, and it began with the popularization of the concept of globalization in 1990s. It was soon understood that the measurement of globalization is “an important first step in putting the globalization debate on a more solid scientific base” (Martens and Zywietz, 2006, p. 332). Thus, various indices for the quantitative measurement of globalization began to be developed around the early 2000s (Martens et al, 2015; Gygli et al, 2019). Some of them are not used anymore these days as have not gained the widespread popularity. The overview of the most discussed indices in the literature available can be found in Table 2.

**Table 2**

*The overview of the measures of globalization*

| <b>Measure</b>   | <b>Scope</b>                     | <b>Dimensions</b>  | <b>Distinct features</b>   |
|--|----------------------------------|--|--|
| A.T. Kearney / Foreign Policy Globalization Index (ATK / FP) | 1995-2006<br>62 countries        | Economical, technological, political, and social                   | One of the first composite indices of globalization, which was later used as a benchmark for other indices                                   |
| CSGR Globalization Index                                     | 1982-2004<br>119 countries       | Economic, social (people and ideas), and political                 | Adjusted variables of country's geographical characteristics   |
| KOF Globalization Index                                      | 1970-2019<br>203 countries       | Economic, political, and social <i>de jure</i> and <i>de facto</i> | The most popular index used, covers the highest number of countries, distinguishing between <i>de facto</i> and <i>de jure</i> globalization |
| Maastricht Globalization Index (MGI)                         | 2000, 2008, 2012<br>62 countries | Economic, political, social, technological, and environmental      | Takes into consideration the environmental dimension   |
| New Globalization Index (NGI)                                | 1995-2005<br>70 countries        | Economic, political, social  | Adjusted to distinguish globalization from regionalization   |

Source: compiled by the author based on Kearney, 2001; Dreher, 2006; Martens and Zywietz, 2006; Caselli, 2008; Dreher, Gaston and Martens, 2008; Vujakovic, 2010; Gygli et al, 2019

Although the ATK / FP Globalization Index is considered to be one of the first indices developed and designed to measure the level of globalization (Gygli et al, 2019; Huh and Park, 2021), the fairly well-known index called G-index was also developed in the same year (2001) by The World Markets Research Center. Although it has claimed to measure globalization as a whole (i.e., including various dimensions), it practically measured mostly only one – economic

dimension, due to the variables chosen (Martens and Zywietz, 2006; Caselli, 2008; Dreher, Gatson, Martens and Van Boxem, 2010). If the notion of globalization were tied only to the single dimension such as economy, then this index could be considered and further analyzed. However, only those indices that cover at least several dimensions of globalization are analyzed (specific dimensions are given in Table 2). Such a composite index is made up of many individual indicators that ultimately together depict the overall level of globalization.

ATK / FP Globalization Index is important due to its further use as a prototype in the development of other following indices (Gygli et al, 2019; Didžgalvytė-Bujauské, Pereira and Osteikaitė, 2019). Compared to the G-Index, which was presented in the same year, it is much broader and includes as many as four dimensions of globalization in the measurements (see Table 2). Therefore, it complies with the understanding of a globalization as a multidimensional phenomenon (although assigning different weights to each variable when constructing the measure threatens the multidimensionality of this index (Caselli, 2008)). The index represents about 85% of world's population and covers 96% of world's GDP. It also explains changes in the ranking of countries at the general or sub-indicator level (Martens and Zywietz, 2006; Caselli, 2008; Dreher et al, 2008). The CSGR Globalization Index (introduced by Lockwood and Redoano in 2005) is often considered to complement this index, as its construction was very similar to that of the ATK / FP (Samimi, Choo Lim, Buang, 2012). However, one of the key differences between the two indices is that in the CSGR Globalization Index the variables for geographical characteristics (such as initial population size, land area, landlocking (Gygli et al, 2019)) were adjusted in order to represent the most accurate estimate of the level of globalization. Consequently, without the adjusted variables, smaller countries may appear more global than large ones, which fundamentally distorts the overall assessment of countries' level of globalization.

Both discussed indices, although one of the former, fall short in regard to the popularity of KOF Globalization Index (which was introduced by Dreher back in 2006) due to the latter's extraordinary wide use (according to Potrafke (2015), used for more than 100 empirical studies) and measurement sustainability – in contrast to the indices discussed earlier, an updated KOF Globalization Index is continued to be published on yearly basis. In 2019, Gygli et al present a revised KOF Globalization Index by addressing the issues defined by Martens et al (2015) who suggested drawing attention to the focus and the unit of measurement, the dimensions used, globalization versus regionalization and the transformation of variables based on each country's factors. The key differences between the older and newer versions of the KOF index is that (a) as many as twenty more variables have been added to the assessment to refine the index results (from 23 to 43), (b) an additional dimension of financial globalization within the economic dimension was formed and, (c) it established distinguishment between the *de jure* and *de facto* globalization.

Therefore, now this index covers key dimensions of globalization (see Table 2) presented from both points of view. Globalization, evaluated by the *de facto* principle, measures actual flows and activities, while globalization from *de jure* perspective is related to legal practices (policies, institutions, etc.) that substantially facilitate those actual flows and activities. According to Martens et al (2015), the distinction between *de jure* and *de facto* is extremely important. This distinction ensures that globalization is not analyzed only by one-sided approach – for example, it is not only perceived as a package of certain legal instruments that would contribute to the promotion of globalization, but also as actual flows and activities made. Although it is supported that the legal regulations in a country do not always correspond to the real situation within that country, such distinction in further analysis usually appears to be insignificant for results.

The other two indices to be discussed are Maastricht Globalization Index (MGI) and New Globalization Index (NGI), which have provoked much debate among academics. The researchers began comparing them to other proposed indices for measuring the level of globalization in order to find out which of the indices most accurately provide such assessment. First, MGI (first introduced by Martens and Zywiets in 2006 and called as a modified globalization index) was originally designed to reflect a multidimensional definition of globalization and in response to indices that focused more on the economic dimension of globalization alone (Martens and Zywiets, 2006; Figge and Martens, 2014). Although this index also focuses on the typical dimensions of globalization used for indices (see Table 2), its distinctive feature is the inclusion of the environmental dimension in the measurement of globalization. Incorporating this dimension changes the way results are assessed, because being the first after the evaluation of the environmental dimension among other countries is not necessarily a positive thing (Martens and Raza, 2009). Thus, this index not only measures the level of globalization in different countries, but also reveals the environmental challenges posed by globalization. In part, the NGI (introduced by Vujakovic in 2010) also draws attention to another problem of globalization and its assessment – the presence of the issue of regionalization in the compilation of globalization indices. The indices tend to reveal that the European countries are the most global, which suggests that such results may appear due to regional integration rather than globalization. However, further research to debate the issue is not present in academic literature (Huh and Park, 2021). The interpretation of the intensive interconnectedness between the countries of the European Union as globalization runs the risk that in this case regionalization, rather than globalization, would be measured (Vujakovic, 2010).

Samimi et al (2012) made a comparison of the five (six, initially) most common indexes discussed, revealing the differences in the main characteristics of the indices, and presented this in a systematic way (see Table 3). The comparison for the aforementioned G-index due to the

attention given to mostly only one dimension (economic) is eliminated in the following table compared to the original one proposed by Samimi et al (2012).

**Table 3**

*The comparison of the indices of globalization*

| Index    | Years            | Number of countries | Number of indicators | Criteria                       |                    |                      |                                  |                      |                         |                     |                                 |                         |             |
|----------|------------------|---------------------|----------------------|--------------------------------|--------------------|----------------------|----------------------------------|----------------------|-------------------------|---------------------|---------------------------------|-------------------------|-------------|
|          |                  |                     |                      | Economic globalization         |                    |                      |                                  | Social globalization |                         |                     | Negligible weight to indicators | Geographical adjustment | Environment |
|          |                  |                     |                      | Actual flow of foreign capital | Actual flow of FDI | Actual flow of trade | Restriction on trade and capital | Culture              | Information and contact | Political dimension |                                 |                         |             |
| ATK / FP | 1995-2006        | 62                  | 12                   | X                              | ✓                  | ✓                    | X                                | X                    | ✓                       | ✓                   | ✓                               | X                       | X           |
| KOF      | 1970-2019        | 203                 | 43                   | ✓                              | ✓                  | ✓                    | ✓                                | ✓                    | ✓                       | ✓                   | X                               | X                       | X           |
| CSGR     | 1982-2004        | 119                 | 16                   | ✓                              | ✓                  | ✓                    | X                                | X                    | ✓                       | ✓                   | ✓                               | ✓                       | X           |
| MGI      | 2000, 2008, 2012 | 117                 | 11                   | ✓                              | ✓                  | ✓                    | X                                | ✓                    | ✓                       | ✓                   | Same weight                     | ✓                       | ✓           |
| NGI      | 1995-2005        | 70                  | 21                   | ✓                              | ✓                  | ✓                    | X                                | ✓                    | ✓                       | ✓                   | X                               | ✓                       | X           |

Source: modified by the author with reference to Samimi et al, 2012

The comparison of the different indices is based on each selected criteria evaluation. Samimi et al (2012) argue that the selected criteria in Table 3 are key in constructing any index measuring the level of globalization and are, therefore, suitable for inter-index comparison. Indeed, the comparison is particularly suitable for identifying which indices cover more aspects of globalization (dimensions, processes) with more accurate results, and for selecting indices for further empirical research while studying globalization. The original table presented by Samimi et al (2012) does not cover the most recent data and assessment on some indices (KOF, MGI and NGI), thus, it has been slightly modified on the basis of the most recent data to best illustrate the current differences.

Comparing the scope of these indices, KOF Globalization Index is standing out – despite the 203 countries whose data is being evaluated, 12 other categories of countries (by region and income) with valuations are also included. The scope of this index reflects the idea expressed by Martens and Zywiets (2006) that the globalization index should include as many countries as possible in its measurements, as the notion of globalization is generally understood to be a global phenomenon encompassing the whole planet. In addition, most indices are not of certain frequency and only the KOF Globalization Index updates the data annually, which is the main and most important advantage of this index over others. That is also prominent when it comes to enabling



it in studies of globalization and its importance and / or impact. On the other hand, all these indices are sufficiently multidimensional, although MGI gains a slight advantage by including environmental dimension into the assessment. Caselli (2006) points out that the main dimensions of globalization in modern theory are nonetheless economic, political, and cultural dimensions that can be broken down into smaller subdimensions. While there has been an increasing focus on the environment and climate change in recent years, it would be useful to update the list of key dimensions (as well as the other indices itself) with the environmental dimension in the assessment. However, what dimensions should be measured and to which more attention should be given is still a matter of scientific debate. Nevertheless, each of the dimensions consists of certain selected variables. Wider scope of variables results in larger number of various aspects included, and the assessment of globalization is more accurate. Since it is not possible to assemble all variables, the author of each index decides during its construction process which variables most reflect their understanding of what globalization is and what they are intended to measure. Collecting a large number of variables for the assessment of globalization is also quite challenging, as not all selected countries and periods always have the final set of required data available (Samimi et al, 2012). In this respect, the KOF Globalization Index again stands out, as despite the large size of the countries and the periods assessed, it also measures the most different variables. The KOF index also differs from most other indices in that no insignificant weights are assigned to some variables by the authors. For example, in the CSGR Globalization Index, some selected variables represent only a very small part of the total value of the Globalization Index (Mikalauskiene et al, 2016). When the weights of the variables are not all significant, there is a risk of index weakness (Samimi et al, 2012). Furthermore, it is also an arbitrary choice whether the geographical characteristics of a country should be adjusted, although these changes are known to affect the measurement of globalization. Lockwood (2004) noticed this problem in assessing the ATK / FP Globalization Index and proposed to control the impact of country's geography on the level of globalization. However, it is debatable whether adjustments should be made in advance due to this problem, as it becomes difficult to interpret the indices when adjusting some data while keeping other unadjusted (Dreher et al, 2008).

An examination of the literature that provides insights into globalization indices and reveals that there is no single way to construct them, as the approach to the phenomenon itself usually varies between whether indices are objective or subjective measures (Figge and Martens, 2014). "In the field of globalization, indices have been mostly constructed and used by economists with some exceptions" (Figge and Martens, 2014, pp. 890-891) to assess and quantify the phenomenon of globalization and its impact on the society. In line with the previous concept of globalization described and further support for the main ideas of globalization assessment

(multidimensionality, global reach and scope, frequency of assessment), the KOF Globalization Index appears to be the most acceptable indicator of globalization still currently available.

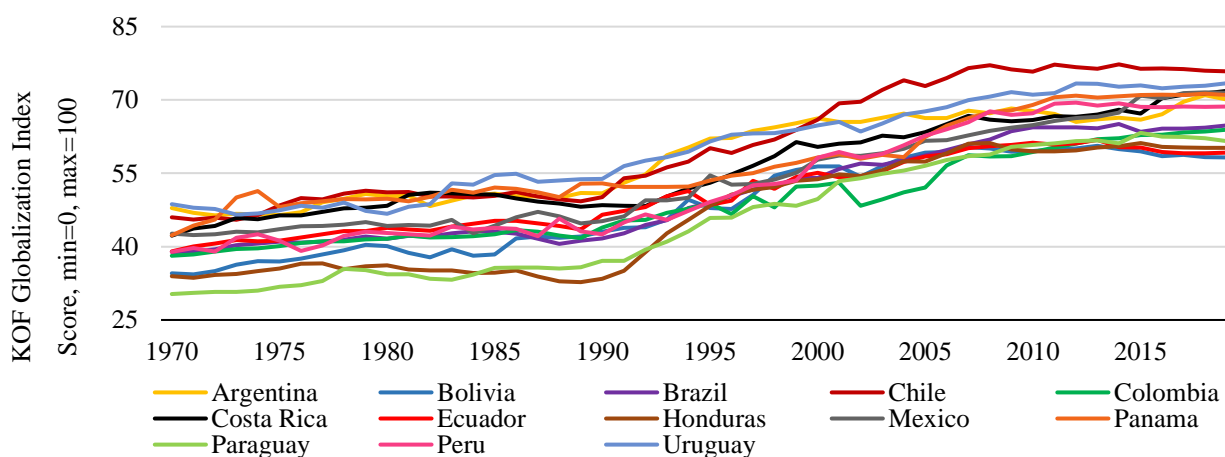
### 1.3. The Emerging Countries of Latin America in The Context of Globalization

Globalization affects many countries, regions, and continents; therefore, Latin America is inevitably affected as well. Yet, it is not quite clear how exactly globalization affects Latin America and how the level of globalization of the region looks in the global context. It is noticeable that the rise in the level of globalization is a common feature of the whole world, including Latin America. However, since the beginning of the KOF Globalization Index data collection, Latin America has been much less globalized than, for example, Europe and Central Asia and North America, and the same trends have persisted in 2019. Currently, Latin America is at a similar level to the East Asia and Pacific region, although the latter was somewhat less globalized in the 1970s. The Middle East and North America region also appear to have made greater progress in globalization. However, compared to the world average, the level of globalization in Latin America goes hand in hand with the overall level of globalization in the world.

The following assessment is an overview of globalization in the emerging countries of Latin America. Based on the International Monetary Fund (IMF) (2023), countries such as Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Panama, Paraguay, Peru, and Uruguay are the emerging economies of the region. Figure 2 provides comparisons between the emerging countries of Latin America in the context of globalization.

**Figure 2**

The comparison of the emerging countries of Latin America using KOF Globalization index



Source: compiled by the author based on Gygli et al, 2019

Trends show that the emerging countries of Latin America have huge variances in levels of globalization. This comparison reveals that the countries did not have a similar level of globalization at the start of measuring in the 1970s, with Uruguay, Argentina and Chile being more global and Paraguay, Honduras and Bolivia being the least. Recent data show that Chile is the most globalized country of all selected countries (Chile's rating is at and even slightly above the average for Europe and Central Asia), while Bolivia is the least. Paraguay made the biggest improvement by more than doubling its KOF index from 1970 until 2019 (103.27% change) from 30 to 62 points. In 1970, Brazil, Ecuador and Peru had the same evaluation of globalization (39 points), however, Ecuador showed the least progress with only 51.79% change to 59 points, resulting in the least globalized country from all thirteen analyzed countries. In comparison Brazil has reached 65 points with a change of 66.52% while Peru showed great results by increasing its level of globalization by 76.34% to 69 points. The least progress was made by already more globalized countries at the time of 1970 – Argentina and Uruguay with a change of 46.45% (from 48 to 70) and 50.84% (from 73) respectively. It can be assumed that initially more globalized countries continue to raise the level of globalization more slowly, although in the end they are still more globalized. Contrary, Chile has become the most globalized in 2019 among the analyzed countries, it has still increased its level of globalization relatively little (64.80%) compared to average increase (67.61%).

The level of globalization in emerging economies of Latin America has been rising in the long run, and it has been most rapid since the 1990s, when, as discussed earlier, the concept of globalization began to gain popularity. However, the reasons for the rapid growth in globalization of these countries are complex. The so-called first wave of globalization in Latin America (the turn of the 19<sup>th</sup> and 20<sup>th</sup> centuries) involved a migration from the European continent. Europeans chose countries for living outside the Atlantic, including Canada with the United States, but no less Latin American countries, such as Chile, Brazil, and Mexico. Such large-scale migration was due to a lack of resources in Europe but a large labor force while Latin America was the opposite. In the early 1910s, some Latin American countries had more per capita income than southern European countries, and Chile, for example, was of the same level. World War II also brought large amounts of migration to Latin America, but change was imminent: Europe began to strengthen, and growth in Latin America slowed. As early as the 1970s, Europe's economic performance was better than that of Latin America, which led to reverse migration between these countries (Solimano, 2004). Although the level of globalization in both regions was not measured during the first wave of globalization and a comparison between these regions is not possible, Europe (along with Central Asia) was already more globalized than Latin America (along with the Caribbean) in the 1970s. Latin Americans became somewhat conservative and naturally

nationalist in the face of globalization and watched cautiously for any sudden social and economic change (Gonzalez Rojas, 2007, as cited in Theodore, 2015). Latin Americans feared the possible threat posed by foreign companies to political, economic, social, and national independence of Latin America (Theodore, 2015). Thus, to preserve their culture and attitudes in other dimensions, a part of Latin Americans was skeptical about the infiltration of globalization in countries. However, globalization was inevitable, and a part of the nation saw globalization as a positive thing too – they believed that globalization would revitalize and promote greater social, economic, and political development in the countries, as at that time this development had slowed down considerably (Keeling, 2004; Theodore, 2015). The rapid globalization of Latin American countries began in the late 20<sup>th</sup> century; therefore, it is no coincidence that the 1990s show a sharp increase in the level of globalization in Figure 2. It was the neoliberal movement that led to the great leap in the context of globalization (Siekmeier, 2015). It has created an environment for more open governance, trade, economic integration, migration, and information dissemination. As a result, the countries became increasingly dependent on the global economy and Roberts (2005) singles out the key factors such as (1) the rise in foreign direct investments and (2) the increasing share of imports and exports in the GNP. However, most developing countries have become increasingly integrated into the world economy since around 1990s (McMillan and Rodrik, 2011). Therefore, not only Latin America, but many other world countries (especially post-Soviet countries) have become more globalized.

All this has brought change to Latin America in various areas. Gwynne and Kay (2004) reveal the areas affected. They point out that political globalization has led Latin America to shift towards democracy and greater concern for human rights while global environmental issues have drawn public authorities' attention to environmental protection and have challenged local movements about local environmental issues. It has also contributed to the transformation of the social environment and culture in urban areas of Latin America. Moreover, the authors single out economic globalization (which is often analyzed by most researchers regardless of the chosen territorial scale), arguing that current economic integration is proceeding at a tremendous pace, affecting both output and consumption as well as technology and ideas. In summary, globalization has fundamentally changed Latin America in many ways. Another study also suggests that Latin America (along with the Caribbean) should continue its efforts to increase the level of globalization in the region, as it may benefit in terms of socio-economic dimensions (Santiago et al, 2020). On the other hand, several scholars state that globalization has not brought economic growth, but rather a slowdown, to regions such as Latin America since 1990s, and that it has not really brought the desired result of labor production (McMillan and Rodrik, 2011). These differing views reflect that globalization in the context of Latin America is still a debatable issue, with both

perceived positive and negative aspects being discussed. Differences between estimates often depend on the sample of Latin American countries, the variables evaluated, the methods chosen, and the data used for the study. Thus, the differences in assessments are natural and reveal a broad view of the impact of globalization on the Latin American region.

In summary, globalization in Latin America has not been as rapid as in other countries, and even the pace of globalization has varied among emerging countries of Latin America. Latin America was affected by globalization with the first wave due to increased migration, but later the level of globalization of the country changed rather slowly. It was indeed influenced by skeptical thoughts about globalization and perceived threats to preserving its distinctiveness. Eventually, with neoliberal movements, the level of globalization increased towards the end of the 20<sup>th</sup> century. As expected by some proponents of globalization, it has brought changes in the economic, political, and social spheres. The changes are seen as both positive and negative, but there is still an ongoing debate.

#### 1.4. The Concept and Measurement of Economic Development

The concept of economic development is common and widely used in both academic and social life, but similarly to the discussed case of globalization, it is not entirely defined, and the issue of its ambiguity persists. Such a weak theoretical basis for economic development as a concept is confirmed by disagreements over a common acceptable definition among various researchers themselves (Salkova, Kolisnyk and Homeniuk, 2016).

The concept of economic development dates to the early days, and the beginnings could be found even in the records of the ancient Greek philosophers (Salkova et al, 2016). At the time, development was interpreted somewhat differently than we understand it now, however, the notion “development” was still described in relation with changes, evolution, phenomenon (Salkova et al, 2016). The approach to the concept of economic development has evolved, become more complex and comprehensive. Various interpretations of economic development are presented in Table 4 in chronological order by outlining the key features for each of the understanding.

**Table 4**

*The understanding of economic development*

| <b>The author</b> | <b>The year</b> | <b>The key features</b>   |
|-------------------|-----------------|---|
| Schumpeter        | 1934            | Qualitative changes; entrepreneurship and innovation impact; technological process  |
| Lewis             | 1955            | “Development” is synonym to “growth”; expressed through GNP and per capita income; industrial production; transition to manufacturing and service economy |

#### Continuation of Table 4

| <b>The author</b>  | <b>The year</b> | <b>The key features</b>  |
|--------------------|-----------------|--|
| Seers              | 1969            | “Development” is not the same as “growth”; emphasis on poverty, inequality, and unemployment reduction; economic growth is not sufficient condition for development      |
| Massey             | 1988            | Capital as tool to “increase human productivity, generate wealth, and increase national income”  |
| Jaffee             | 1998            | Socio-economic approach; more than quantitative economic process   |
| Greenwood and Holt | 2010            | Broad, sustainable increase of overall standard of living  |
| Todaro and Smith   | 2012            | Multidimensional process; changes in “social structures, popular attitudes, and national institutions”; acceleration of economic growth; emphasis on inequality, poverty |

Source: compiled by the author based on Thanawala, 1994; Seers, 1969; Massey, 1988; Jaffee, 1998; Greenwood and Holt, 2010; Todaro and Smith, 2012; Lepenies; 2015

Some of these concepts appear to reflect a more traditional approach (Lewis, 1955, as cited in Lepenies, 2015; Massey, 1988), which refers to a quantitative representation of economic development that is often equated simply with sustainable growth of per capita gross national income (GNI) or gross domestic product (GDP). For example, the well-being of a society has been measured by the monetary growth of GNI per capita minus the rate of inflation, which reveals how much of goods and services an average citizen is able to afford. As the focus here is on GNI and GDP growth, issues such as poverty, unemployment, income equality, etc., had received only secondary attention (Todaro and Smith, 2012). This was because it was considered that a growing economy would improve the quality of life (Greenwood and Holt, 2010) and bring change in other areas: increasement of jobs available, elimination of poverty, expansion of industry, etc. (Jaffee, 1998). However, this approach to economic development is rather narrow, but it is important to understand that at first “the primary goal of development economics has been to achieve economic growth” (Islam and Clarke, 2002, p. 203).

Schumpeter was one of the first to distinguish economic growth from economic development, arguing that economic growth is more related to quantification (referring to population and wealth growth), whereas economic development refers to qualitative change (Thanawala, 1994). Schumpeter considered economic development as a technological process and focused on the impact of entrepreneurship and innovation on economic development (this brings changes to economic processes) (Lepenies, 2015). However, this early 20<sup>th</sup> century approach is quite rarely used in the modern understanding of economic development.

Since the 1970s, special and widespread attention has been paid to reducing poverty and inequality. Such attitudes have been challenged by real national situations – although GNI per capita growth rates have been high, there has been no impetus in the other significant factors

discussed (Todaro and Smith, 2012). Such views were presented by Seers (1969), Jaffee (1998), Greenwood and Holt (2010), Todaro and Smith (2012). Greenwood and Holt (2010) even distinguish the rules of the concept of economic development: (1) economic development” is a broader concept than “economic growth”, (2) when assessing the standard of living, it is not enough to look only at income, the quality of life shall be also assessed, (3) improvements shall be sustainable over time, and (4) changes shall affect most of the population.

In this paper, these rules are widely supported, and it is agreed that economic development is a broad concept that encompasses much more than economic growth. The view of Sen (1983) that economic growth is only “one aspect of the process of economic development” (p. 748) is as well supported. In summary, economic development is conceptualized as the sustainable improvement of economic well-being and quality of life on a broad multidimensional scale, including but not limiting to a focus on both economic growth and other aspects such as reducing income inequality and poverty, etc.

The fact that economic development is understood more broadly than just economic growth presupposes that the measurement of economic development is also broader. Here, it is no longer enough to measure economic development in terms of per capita GNI and GDP alone. The problem of such measures is that “they do not account for those aspects of the quality of life that are qualitative in nature” (Babiarz, Grabinski, Migala-Warchol and Szczygiel, 2018, p. 333). The European Commission's findings state that GDP is an inadequate measure of well-being over time, especially in terms of economic, social, and environmental dimensions (Stiglitz, Sen and Fitoussi, 2009). For example, the increases in rates of GDP or GNI in countries do not necessarily result in improved quality of life, not only in terms of poverty and inequality. It can also have no effect in areas such as access to medical care or more democratic and egalitarian society (Jaffee, 1998), prolonged life expectancy rate, increased literacy and education rate, reduced infant mortality, etc., which are all of great importance for assessing the quality of human life. Thus, it is becoming evident that when measuring the economic development of countries, it is important to consider many aspects, which together form an important whole that reflects the economic development of the country. In this case, it is argued that composite indicators should be used for evaluation as one of the methods as they provide a comprehensive view of the situation and level of development.

One of the most popular alternatives to the traditional measurement of economic development is the Human Development Index (HDI), which was introduced back in 1990 by the United Nations Development Program (UNDP) to emphasize that people and their abilities are particularly important in assessing countries’ development in addition to economic growth (UNDP, n.d.). This index currently encompasses three main dimensions – long and healthy life

(longevity), knowledge, and a decent standard of living. Each of these dimensions is measured by selected indicators, life expectancy at birth, expected years of schooling and mean years of schooling, and finally GNI per capita in purchase price parity (PPP) respectively to the dimensions pointed out. Since the creation of this index, it has received a lot of positive attention from representatives of various fields, but it has been quite heavily criticized as well. One of the main arrows of criticism is that this index includes relatively few variables, so it does not successfully reflect the “richness and breadth” (p. 42) of the concept of development itself (Aziz et al, 2015). Thus, this index better reflects only a few development assessments, but does not appear to be a comprehensive measure of development. Moreover, in constructing the concept of economic development, it becomes clear that economic growth, while not identical to economic development, is nevertheless a significant part of it. In addition, nor does the HDI index reflect countries’ levels of inequality and poverty, which are also important factors in assessing economic development as previously argued. Therefore, the index shows more a reflection of human development indeed than an indication of economic development.

Based on the assessments of economic development analyzed, it can be argued that the modern concept and measurement of economic development is still a topic that has not been fully generalized. Although the concept itself is still a debatable issue today and the complexity of the concept is noticeable, one thing is clear: the concept has evolved considerably and expanded beyond its traditional perception. The traditional approach explains economic development by solely focusing on economic growth; however, it later becomes clear that economic growth is only one component, not the end point. Therefore, economic development is defined as the process of achieving a sustainable improvement in the quality of life and economic well-being. Such economic measures as per capita GNI or GDP no longer provide a definitive and comprehensive assessment and indicators such as poverty and inequality become of significant importance. Consequently, the measuring instruments must be composite. In this case, synthetic indices such as HDI are used, but these also do not fully reflect economic development. Thus, as there is no single clear and widely accepted mean to measure economic development, it is important to take a broad but critical look at the indicators available.

### **1.5. Economic Development of the Emerging Countries of Latin America**

Economic development in Latin America is often seen as problematic, as this region appears to be less developed in a global context. None of the countries in this region has achieved such a high level of socio-economic development, although they are trying. For many people, this region is still associated with lower quality of life, living standards and educational levels (Bertola

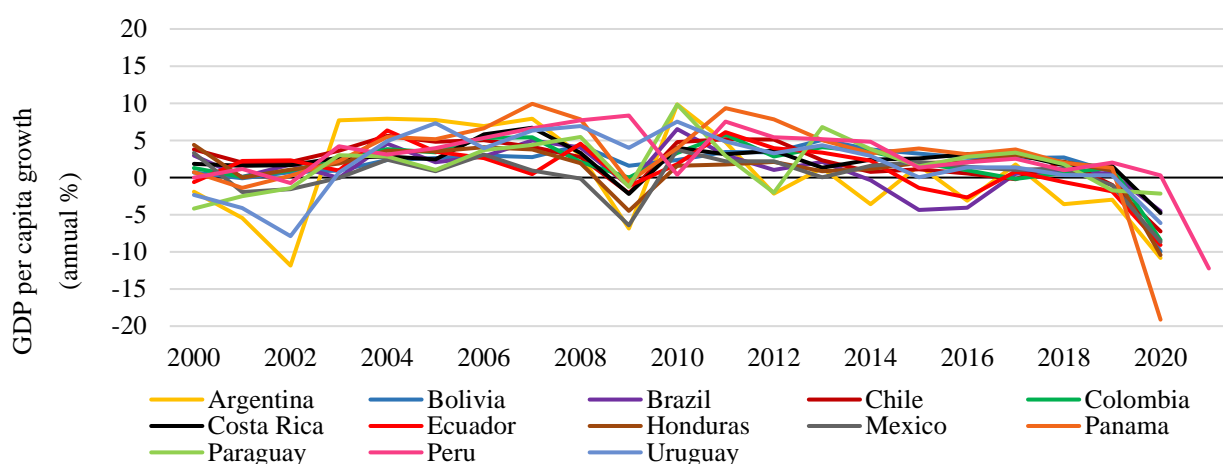


and Ocampo, 2012). Although the region is lagging developed countries in many areas of economic development and cannot be called “developed” yet, it is constantly improving at the slower rate, not to mention the relatively faster development of the emerging economies of Latin America. The changes in economic, social, and political areas have enabled to place the region on the “development path” (Bertola and Ocampo, 2012, p. 2).

The economic growth of Latin America is usually described as insufficient, lagging or even “disappointing and puzzling” (Hanushek and Woessmann, 2012, p. 509).

**Figure 3**

The economic growth of the emerging countries of Latin America



Source: compiled by the author based on data from World Bank, 2022

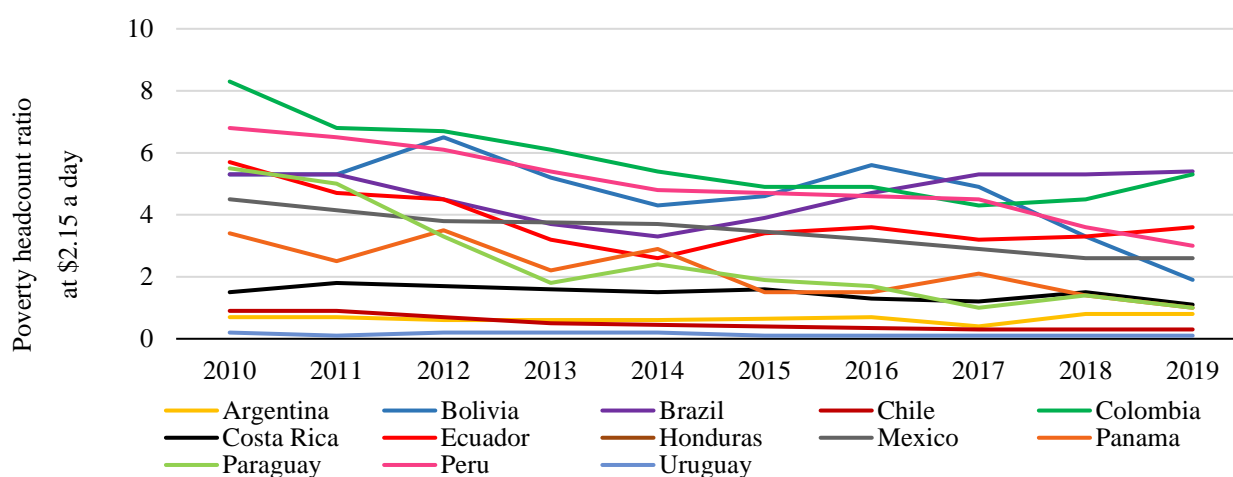
The growth curve for all countries over the period shown is quite similar (see Figure 3). Perhaps one of the most striking trends here is that these economies appear to be relatively vulnerable to global crises, with a particularly marked contraction in economic growth in the wake of the 2008 financial crisis and the 2020 pandemic. Although not shown in the figure above, similar insights that economic instability is caused by crises stem from previous events that shook the world, such as the crises of the 1930s or 1980s (Hofman, 2000). On the other hand, Hofman and Valderrama (2021) examines the drivers of growth and comes to conclusion that a large part of the GDP growth is stimulated by capital and total factor productivity (TFP), as shown by their long run economic growth analysis (capital contributed on average 1.45% to GDP growth over the period of 1820-2016; and before becoming negative, TFP explained 25% to GDP growth over the period of 1913-1980 while during the whole period only contributed 0.25% on average). The authors emphasize that rapid labor productivity increases are required to maintain or increase growth rates in the future and to “make catching-up with the more developed countries more

possible” (p. 851). It is important to understand that the quality of the labor force is most significant here, where the education of the labor force lays the foundation (Hofman and Valderrama, 2021). A similar conclusion was reached by Daude and Fernandez-Arias (2010), arguing that slower growth in the region is due to slower productivity growth (using the TFP measure). These authors also argue that Latin American countries are below the level of developed countries and points out that productivity is only half of its potential. Levy and Schady (2013) also suggest focusing on accelerating the growth of productivity to result in faster and more equitable growth. Another exclusive factor singled out by Paulo, Lima, and Tigre (2022) is corruption, and as a study has shown, it has a direct negative effect on per capita GDP. Consequently, reducing the level of corruption in Latin American countries could potentially improve the well-being. At the same time, this confirms the findings of other authors that political institutions have a sufficiently strong influence on Latin American economic growth and economic development in general over the years (Vianna and Mollick, 2018). This is because the institutions impose certain rules, rights, regulations, etc., which create favorable or unfavorable conditions for economic growth. It shapes the incentives, either creates a politically stable environment or results in decreases in rule of law.

Moreover, Latin America is often described as a region that attracts investment, foreign capital, but its majority of population drowns in poverty, unlike in developed countries. Franko (2019) describes it aptly, stating that “Latin Americans live in a complex economic system, simultaneously inhabiting the frontiers of finance and technology while also appearing hopelessly mired in a vicious cycle of poverty” (p. 2). The situation of poverty and income inequality is illustrated in Figure 4 and Figure 5 accordingly.

**Figure 4**

The poverty of the emerging countries of Latin America

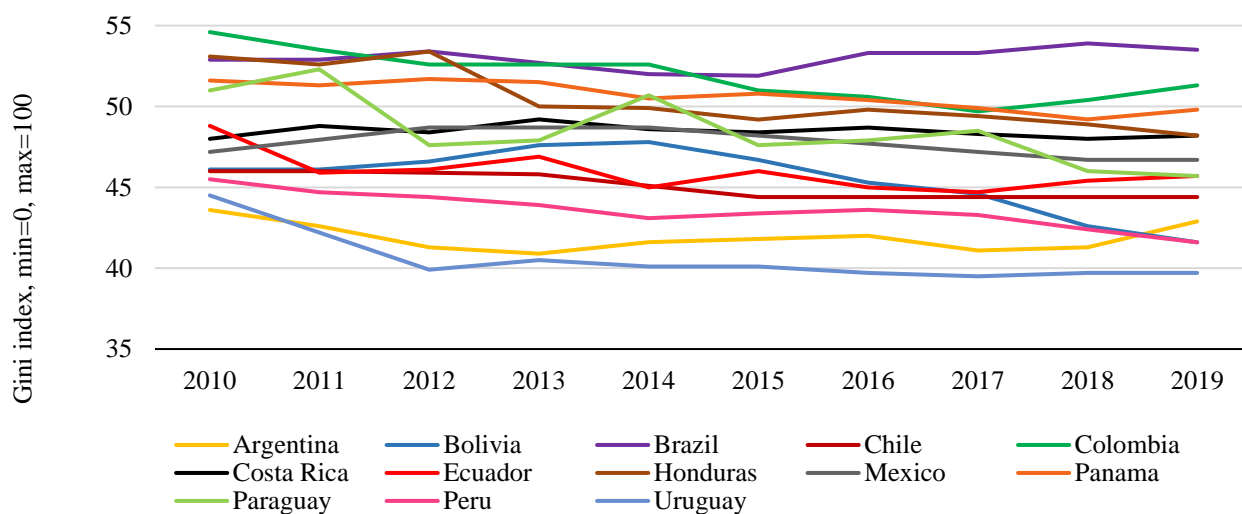


Source: compiled by the author based on data from World Bank, 2022

Poverty rates vary considerably, with Uruguay and Chile clearly showing the lowest poverty rate of the emerging countries and Brazil and Colombia rates at concern. Poverty reduction is difficult enough and is becoming more difficult over the years, therefore, the actions of the institutions are essential. Adopted policies often have difficulty reaching those societies that are isolated and those that are generally less responsive to these incentives (Vacaflares, 2018). It is also difficult to address poverty because it is perceived differently in urban and rural areas and different measures are required to be taken. However, poverty reduction, while a rather complex action, is a key goal of both national and international organizations (Santos and Villatoro, 2018). The focus on poverty reduction seems to be paying off, with Latin America reducing poverty quite drastically since 2000 (from 46.3% to 29.7% of the population) (Stampini et al, 2016). At the beginning of the 21<sup>st</sup> century, approximately a quarter of population lived on less than \$2.50 a day, and more than a decade later, the figure was only ~13-14% (Gasparini and Gruces, 2013; Levy and Schady, 2013) and is further decreasing.

**Figure 5**

The income inequality of the emerging countries of Latin America



Source: compiled by the author based on data from World Bank, 2022

In addition, income inequality (measured in Gini index, where 0 means perfect equality and 100 perfect inequality) has also fallen sharply over this period as per Figure 5. However, it depends on the indicators used to measure the inequality rate and remains a matter of discussion. For example, Gini index reveals a reduction in inequality of both Brazil, Chile, Columbia, Mexico and Peru by 2-6 percentage points over the period of 2000-2011 (Levy and Schady, 2013). However, Brazil, over the period of 2011-2019, shows a slight gain of 1.13% in inequality while

Argentina and Costa Rica even slighter gain of 0.70% and 0.42% respectively. Other countries continue increases in equality, with Uruguay and Paraguay performing best at 10.79% and 10.39% of inequality reduction over the period of 2010-2019 respectively. Positive developments in the assessment of poverty and inequality stem mainly from the development of social programs and increased spending on social issues. Despite efforts, a large portion of the emerging countries of Latin America's population still live below the poverty line, and levels of inequality remain high, therefore, progress appears insignificant on a broad scale (Gasparini and Gruces, 2013). Additionally, a study by Stampini et al (2016) reveals interesting insights into chronic poverty, which is described as poverty that people experience for a huge period of time, often throughout their whole lives, and even passes on to their children. The study concludes that chronic poverty is widespread not only among severely poor Latin American society, but also among moderate poor ones. The study also reveals that even the middle class is at risk of returning to poverty. This shows that poverty reduction programs are relevant not only to the poorest, but also to those who do not currently belong to the group of people experiencing poverty. However, the highest levels are found in rural areas, where there is a lack of human capital and sufficient opportunities for wage employment, which are very important factors in poverty reduction (Stampini et al, 2016). All this reveals that some concentrated solutions are needed to reduce the economic development gap with the developed world. The number of social programs, which improve the situation in the region, is high, but the results also point out the dangers of insufficient pace of economic development.

The above analysis reveals that Latin America, although gradually moving forward on the path to development, is still a developing region. It highlights that despite the efforts and actions made, emerging economies still insufficiently address sensitive issues such as poverty and income inequality, which are directly linked to countries' economic development. Therefore, none of the emerging countries of Latin America can yet be considered as a sufficiently developed country.

## **1.6. The Link Between Globalization and Economic Development**

The approach to the effects of globalization to economic development is debatable. Even assessing the same indicator and the impact of globalization on it yields different results, leading to different perspectives. There are many nuances and assumptions in the evaluation, the differences of which lead to different interpretations of the results. While some researchers highlight the positive aspects of it, others emphasize the negative consequences Table 5 summarizes the effects of globalization on economic development examined in the literature.

**Table 5**

*The overview of the assessments on the effects of globalization to economic development*

| <b>Author</b>                 | <b>Year</b> | <b>Scope</b>                     | <b>Area</b>                        | <b>Findings</b>   |
|-------------------------------|-------------|----------------------------------|------------------------------------|---|
| Coulibaly et al               | 2018        | 2002-2013; BRICS countries       | Economic growth                    | The economic globalization shows a positive and significant contribution to the economic development. Globalization is one of the rapid growth sources.                                       |
| Gygli et al                   | 2019        | 1975-2010; various 137 countries | Economic growth                    | Globalization is positively related with economic growth, especially in the developing countries. The differences between <i>de facto</i> and <i>de jure</i> dimensions are found.            |
| Arslan, Contreras, Patel, Shu | 2018        | Various; EMEs                    | Income inequality, economic growth | Globalization and income inequality are positively related. The trade openness is associated with better macroeconomic performance. However, the trends across the countries are not uniform. |
| Bergh, Nilsson                | 2010        | 1970-2005; various 80 countries  | Income inequality                  | The positive and negative effect on income inequality is found. The differences between different income level countries are found.   |
| Dreher                        | 2006        | 1970-2000; various 123 countries | Economic growth, poverty           | More globalized countries experience higher growth rates. Globalization is not the reason of poverty. It is not enough to simply globalize to spur growth and reduce poverty.                 |
| Potrafke                      | 2015        | -                                | Equality, poverty, economic growth | Globalization contributed to improved human development, gender equality, tolerance, decreased poverty and spurred economic growth.   |
| Bergh, Nilsson                | 2014        | 1983-2007; various 114 countries | Poverty                            | Globalization has a negative nexus with absolute poverty. It is found that less trade restrictions and larger information flows result in lower poverty level.                                |
| Rudra, Tobin                  | 2017        | 1974-1995; various 18 countries  | Poverty                            | The debate is twofold. If the initial conditions are favorable, then liberalization help to reduce poverty more, but most countries do not have favorable initial conditions.                 |
| Deyshappria                   | 2018        | 1990-2016; Various 119 countries | Poverty                            | Globalization significantly reduces the level of poverty; however, the impact is not the same in all regions.   |

Source: compiled by the author based on Dreher (2006); Bergh and Nilsson (2010, 2014); Potrafke (2015); Rudra and Tobin (2017); Coulibaly et al (2018); Deyshappria (2018); Arslan et al (2018); Gygli et al (2019)

The most common positive effect of globalization is the impact on economic growth. This is considered both individually and as part of a broader assessment of economic development (together assessing income inequality and / or poverty). For example, Coulibaly et al (2018), in assessing globalization through its economic dimension, point out that it has a significant and positive impact on economic development (precisely, growth, measured by real GDP 2005 constant USD), and even argue that this, together with entrepreneurship, is one of the factors for the rapid growth in the sample of five major emerging countries in the world – BRICS (Brazil, Russia, India, China and South Africa). Dreher (2006) also confirm that globalization promotes growth. In his view, “China’s growth rate in 2000 is 2.33 percentage points higher as in 1975 due to increased integration with the rest of the world” (p. 1105). Thus, it is concluded that globalizing

countries can expect higher growth rates. In addition, Gygli et al (2019) examines the newly constructed KOF index by assessing the impact of globalization on economic growth and also finds a positive correlation when globalization proceeds rapidly. The study reveals that all three dimensions of globalization (economic, political, and social) are positively associated with economic growth, with the results most visible in developing countries. Unlike before, this assessment also distinguishes the globalization into *de jure* and *de facto* parts. The results show that the two components have different effects: the *de jure* dimensions of economic and political globalization and the *de facto* dimension of social globalization are important for economic growth. These effects are explained as follows: the reduction of institutional barriers to trade in goods and services and politically integrated financial flows bring higher economic growth to countries (*de jure* effect) while social spillovers such as information and knowledge share among people ultimately contribute to economic growth as well (*de facto* effect) (Gygli et al, 2019).

Dual assessments are mainly related to socio-economic development. Here, ambiguity is usually manifested in the fact that different results are obtained by evaluating different countries or regions. Consequently, the effects of globalization are not the same for all countries. For example, although Deyshappria (2018) argues that globalization has a positive effect on poverty reduction, the same effect is not achieved in all regions assessed. The region-based study found that globalization is reducing poverty in all regions except Sub-Saharan Africa. Thus, the absolute conclusions are not necessarily appropriate for each region or country. Rudra and Tobin (2017) also provide an ambiguous assessment of the effect on poverty. The authors analyze the link between globalization and poverty in the wake of the debate over why a third of the world population still lives below the poverty line, despite developing countries adopting changes that promote openness. Indeed, global poverty is gradually declining, but the results for less developed countries are disappointing. Rudra and Tobin (2017) argue that having favorable initial conditions lead to the decrease of poverty level, but if conditions are opposite, change is not evident. The authors believe that government initiatives could help here, but the least developed countries simply address the issue insufficiently. Dreher (2006) also argues on this topic that countries facing poverty are making less of an effort to become global, thus, globalization cannot be the cause of prevalent poverty. Dreher (2006), like Rudra and Tobin (2017), argues that simply globalizing the economies is not enough for countries to reduce poverty. Bergh and Nilsson (2014), on the other hand, assess the impact of globalization on poverty as well and argue that globalization has a negative relationship with absolute poverty. According to the authors, it is the reduction of trade restrictions and the flow of information that is the result of lower poverty. Thus, it is concluded that lower levels of poverty are achievable through higher levels of globalization. A similar ambiguity arises when assessing the impact of globalization on income inequality.

Although the authors (Arslan et al, 2018; Bergh and Nilsson, 2010) point out that globalization and income inequality are positively correlated, there are marked differences in the assessment of countries with different income levels and different globalization dimensions. For example, it is found that economic freedom mainly leads to the increase of inequality in high income countries while social globalization in middle- and low-income countries (Bergh and Nilsson, 2010).

Similar assessments are found to evaluate the impact of globalization on economic development in Latin America and its emerging economies. However, while the aforementioned assessments generally suggest that globalization is positively correlated with economic growth, different approaches can be found in the case of Latin America. For example, McMillan and Rodrik (2011) argue that there is evidence that globalization has a negative impact on economic growth while at the same time Santiago et al (2020) point out a positive effect. Those who highlight the positive effects are encouraging Latin America to stay on the path to globalization and even step up its efforts to promote it further. Different assessments of the impact of globalization on economic development are present because both globalization itself and economic development are multidimensional and complex phenomena. Similar to other authors (Arslan et al, 2018; Bergh and Nilsson, 2010), one of the most common negative consequences of globalization in Latin America mentioned is the increase in inequality. This connection is found primarily because it is argued that globalization affects inequality through (1) the growth channel and (2) through the effects on income distribution (Nissanke and Thorbecke, 2010). Baten and Fraunholz (2004) suggest to counter-balance inequality “by creating public goods for education and health” (p. 76). The actions are required to ensure that inequalities do not increase and that poverty levels are not adversely affected. Other researchers (Roberts, 2005) even argue that globalization has drawn the attention of governments and international organizations to the need for innovation in social policy. Therefore, even when promoting inequality, globalization simultaneously draws attention to sensitive issues and calls for innovative ways to address them. In the case of Latin America, this could be the tool in a fight against poverty. The country’s openness allows the country to take advantage of a variety of social programs that are specifically designed to tackle issues such as poverty, educational level, inequality, access to medical care, etc. (for example, Sustainable Development Goals).

In summary, the impact of globalization on the economic development is debatable and requires further research, as scholars keep the debate open on this issue regardless of the country or region being assessed. The greatest impact discussed in the literature is the effect on economic growth, inequality, and poverty, through which the economic development of the regions, including the emerging economies of Latin America, is assessed. The most common positive effect of globalization is the impact on the economic growth of countries, but here the assessment is

ambiguous in the case of Latin America. In general, ambiguous assessments are common in cases of globalization and income inequality, globalization and poverty reduction relationships. While some authors see the positive effects of globalization on the discussed indicators of economic development (Coulibaly et al, 2018; Gygli et al, 2019; Dreher, 2006; Potrafke, 2015; Bergh and Nilsson, 2010; 2014; Santiago et al, 2020), others question their significance and positivity (Arslan et al, 2018; Bergh and Nilsson, 2010; McMillan and Rodrik, 2011). Although it is clear from the overview that globalization may have an impact on the economic development, the precise role of globalization remains a question for further discussion.



## **2. THE EMPIRICAL RESEARCH ON THE IMPACT OF GLOBALIZATION ON ECONOMIC DEVELOPMENT**

### **2.1. The Methodology of the Empirical Research**

#### **The question of the research**

Globalization and its impact on economic development is frequently discussed and debatable topic – scholars are unable to agree on a joint answer and consider whether the effects of globalization are rather positive or negative. Different outcomes are influenced by different research designs, data, assumptions, and preliminary assessments. In addition, an ambiguous and complex interpretation of the analyzed phenomena (globalization and economic development) itself is significant. A twofold assessment of the impact of globalization is common in the evaluation of the emerging countries of Latin America as well. Economic development, defined through economic growth, income inequality, and poverty, is a question that is actively debated and often linked to the increasing level of globalization. Therefore, in this paper, it is aimed to assess the impact of globalization on the economic development of emerging countries of Latin America when both globalization and economic development are understood in a broad sense.

Based on the previously discussed works of other researchers, the following main hypothesis is put forward: globalization positively affects the economic development through improving economic growth and reducing income inequality and poverty.

#### **The aim and tasks of the research**

The main aim to the research is to evaluate the impact of globalization on the indicators of economic development in the emerging countries of Latin America.

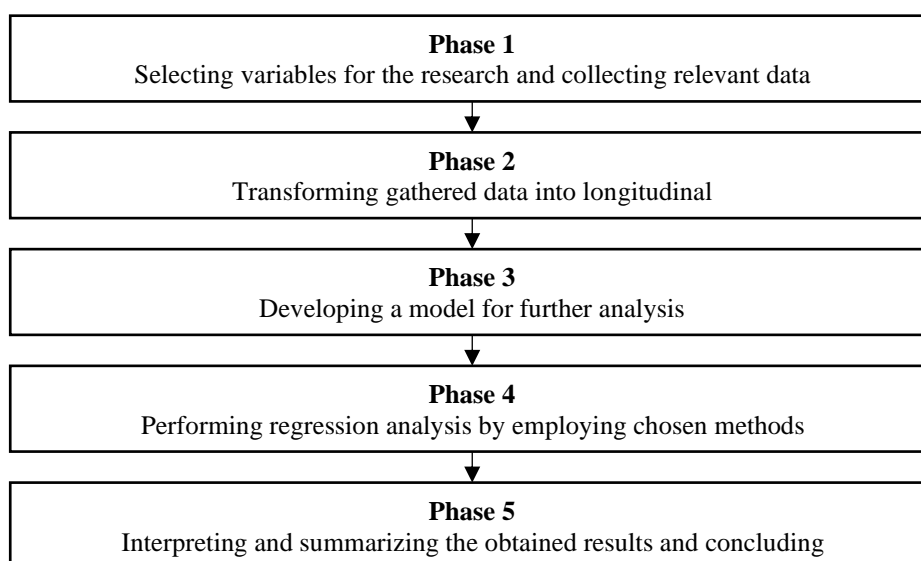
To achieve this aim, the following **tasks** were set:

1. To select the data and variables to address the research problem.
2. To develop a model for assessing the impact of globalization on the variables chosen.
3. To conduct research based on the model developed.
4. To summarize the obtained results.
5. To present conclusions and recommendations based on the conducted research.

The tasks will be performed according to the sequence shown in Figure 6.

**Figure 6**

The phases of the research



Source: compiled by the author

The research begins with the selection of suitable variables based on the aspects discussed in the theoretical part of the paper. Next, data availability is checked, and data is collected. The second phase is aimed at transforming the data and properly preparing the panel data for further research. In the third phase, a model is created to test the main hypothesis and the options for constructing the model are described in detail. In the fourth phase, regression analysis is performed by employing the selected methods. Finally, in the fifth phase, the obtained results are analyzed and interpreted, and conclusions and recommendations are presented.

### **The scope of the research**

Thirteen Latin American countries were selected for the study for the ten-year period from 2010 to 2019. These thirteen countries include Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay. This group of emerging economies was selected based on the IMF (2023) country classification in World Economic Outlook. The IMF divides countries into two main groups: advanced and emerging and developing economies. In addition to the listed thirteen countries, the emerging and developing economies category includes an additional seven countries from Latin America (excluding the Caribbean), but due to the lack of data for further analysis, they were not selected for the study. Thus, Belize, El Salvador, Guatemala, Guyana, Nicaragua, Suriname, and Venezuela are not included.

The period of 2010-2019 is chosen due to the restricted availability of the data for the certain variables selected. For such indicators as measuring poverty and income inequality

consistent data collection began only in the second decade of the 21st century. In addition, this period is chosen in order to avoid the influence of factors such as the financial crisis and the Covid-19 pandemic, the influence of which on the selected indicators of economic development should be analyzed separately. The latest decade has also been chosen to assess the impact of globalization on economic development based on the newest data, in order to provide the latest and most relevant conclusions and recommendations for further analysis and actions.

### **The data and variables of the research**

A detailed analysis of the literature reveals that globalization in the modern world is best defined by the KOF Globalization Index. Because the latest version of this index offers an assessment of globalization from the three dimensions of globalization, all three dimensions of globalization have been selected. In addition, the different effects of these dimensions on economic development are often seen in the literature, which also justifies the requirement to assess economic development in the context of all three dimensions of globalization. This is confirmed by Gurgul and Lach (2014), Kilic (2015); Gygli et al (2019). Gurgul and Lach (2014) further emphasize that the examination of different globalization dimensions and their effect lead to the provision of more detailed information as it helps to assess which exact dimensions of globalization have the most significant effect. Such a choice of independent variables also agrees with the plans to study the impact of different dimensions of globalization on economic development as well as assess whether the outcomes differ as previously suggested. Moreover, although Gygli et al (2019) emphasize the importance of distinguishing between *de jure* and *de facto* globalization, the approach is not followed in this paper due to the lack of empirical evidence that such distinguishment yields significant results in other independent research conducted as well. Therefore, the joint globalization index for various dimensions is selected.

A detailed analysis of the literature also reveals which indicators best describe the level of economic development. Therefore, indicators such as economic growth, inequality and poverty are used. The importance of these indicators is confirmed by the evaluations of economic development and its measurement by Seers (1969), Jaffe (1998), Greenwood and Holt (2010), and Todaro and Smith (2012). The summary of selected variables is presented in Table 6.

**Table 6***The variables selected for the empirical research*

| <b>Variables</b> |                         | <b>Acronyms</b> | <b>Indicators</b>   | <b>Sources</b> |
|------------------|-------------------------|-----------------|---|----------------|
| Independent      | Economic globalization  | EGLOB           | KOF Globalization Index   | KOF database   |
|                  | Social globalization    | SGLOB           | KOF Globalization Index   | KOF database   |
|                  | Political globalization | PGLOB           | KOF Globalization Index   | KOF database   |
|                  | Overall globalization   | OGLOB           | KOF Globalization Index   | KOF database   |
| Dependent        | Economic growth         | GROW            | GDP per capita (annual %)   | World Bank     |
|                  | Income inequality       | INEQ            | Gini Index  | World Bank     |
|                  | Poverty                 | POV             | Poverty headcount ratio at \$2.15 a day (2017 PPP) (% of population)                            | World Bank     |
| Controls         | Human capital           | CEGOV           | Government expenditure on education, total (% of GDP)   | World Bank     |
|                  | Labor force             | CLF             | Labor force participation rate, total (% of total population ages 15-64) (modeled ILO estimate) | World Bank     |
|                  | Capital                 | CCAP            | Gross capital formation (% of GDP)  | World Bank     |
|                  | Economic growth         | CGROW           | GDP per capita (annual %)   | World Bank     |
|                  | Social welfare          | CASO            | Adequacy of social safety net programs (% of total welfare of beneficiary households)           | World Bank     |
|                  | Urbanization            | CURB            | Urban population (% of total population)  | World Bank     |
|                  | Inflation               | CINF            | Inflation, consumer prices (annual %)   | World Bank     |

Source: compiled by the author based on the below-mentioned sources

The indicators for the models were chosen considering two factors – theoretical aspects and data availability. The selection of indicators for dependent variables is based on previous evaluations of the impact of globalization on economic development (Bergh and Nilsson, 2010; Bergh and Nilsson, 2014; Deyshappria, 2018; Gygli et al, 2019; Didžgalvytė-Bujauskė et al, 2019). The studies suggest that the chosen indicators can reflect each of the categories of economic development sufficiently.

### **The model of the research**

To test the role of the globalization in economic development of the emerging countries in Latin America over a period of 2010-2019, each of the dependent variable (see Table 6) is tested by creating dynamic panel models. First, the impact of economic globalization on variables is tested, then the impact of social globalization, political globalization, and finally the overall impact of globalization. The obtained results are described, compared, and summarized.

The model of the effect of globalization on economic growth is based on the Solow model, but also considering the ideas of Mankiw, Romer and Weil (1992) to include human capital as variable. Didžgalvytė-Bujauskė et al (2019) used such a model in their work, where they chose

government expenditure (% of GDP) as an indicator for human capital due to the complex definition of the concept of human capital and the ambiguous assessment of whether education or health and which of their indicators are the most accurate to use. When assessing the impact of globalization on economic growth, Samimi and Jenatabadi (2014) chose both government consumption (% of GDP) and school enrollment (secondary). Since the evaluations differ, it was decided to evaluate human capital through government expenditure on education (% of GDP) as total consumption include expenditure on national defense and security, and therefore might mislead. Thus, the following model was constructed:

$$GROW_{it} = \alpha GROW_{i,t-1} + \ln[GLOB]_{it}\beta_1 + \ln CLF_{it}\beta_2 + \ln CCAP_{it}\beta_3 + \ln CEGOV_{it}\beta_4 + d_t + \varepsilon_{it} \quad (1)$$

where  $i$  is observations (individuals),  $t$  – time,  $[GLOB]$  – 12 variations of globalization, possibly including lagged values,  $d_t$  – year dummies,  $\varepsilon_{it}$  – error term.

The impact of globalization on income inequality is measured by building a model similar to the one above, but with factors affecting income inequality selected as controls. Following the example of Bergh and Nilsson (2010), Sanchez and Perez-Corral (2018), GDP per capita is included to control for distributional effects driven by income levels and the effect of economic growth. As researchers believe that public spending, especially for social welfare, also affects income inequality (Levy and Schady, 2013; Rudra and Tobin, 2017; Sanchez and Perez-Corral, 2018), this control is also included into equation. Finally, a dependency control factor measured by economically active people (labor force participation) is included, since it is argued that income inequality decreases with more economically active people (Higgins and Williamson, 1999; Bergh and Nilsson 2010; Sanchez and Perez-Corral, 2018).

$$\ln INEQ_{it} = \alpha \ln INEQ_{i,t-1} + \ln[GLOB]_{it}\beta_1 + CGROW_{it}\beta_2 + \ln CASO_{it}\beta_3 + \ln CLF_{it}\beta_4 + d_t + \varepsilon_{it} \quad (2)$$

where  $i$  is observations (individuals),  $t$  – time,  $[GLOB]$  – 12 variations of globalization, possibly including lagged values,  $d_t$  – year dummies,  $\varepsilon_{it}$  – error term.

The model for the impact of globalization on poverty considers the effect of economic growth and controls such as inflation and urbanization (based on a study by Bergh and Nilsson (2014)) due to previous evidence that urbanization and inflation affect poverty levels (Mosley and

Suleiman, 2007; Leon, 2008; Bergh and Nilsson, 2014). The model as previously is extended with lagged dependent variable:

$$\begin{aligned} \ln POV_{it} = & \alpha \ln POV_{i,t-1} + \ln[GLOB]_{it} \beta_1 + CGROW_{it} \beta_2 + \\ & + \ln CURB_{it} \beta_3 + CINF_{it} \beta_4 + d_t + \varepsilon_{it} \end{aligned} \quad (3)$$

where  $i$  is observations (individuals),  $t$  – time,  $[GLOB]$  – 12 variations of globalization, possibly including lagged values,  $d_t$  – year dummies,  $\varepsilon_{it}$  – error term.

All variables are transformed into natural logarithms ( $\ln$ ), as this narrows the range of variables, which makes estimates less sensitive to extreme observations (Uriel, 2019). However, GROW, CGROW and CINF variables are not transformed, because they are already expressed in changes in their initial state (%), and in the case of a negative or zero change (inevitable in utilized dataset for research chosen) such a transformation is not possible (i.e., only positive values can be transformed). Otherwise, in case of negative or zero values and transformation to natural logarithms, part of the data would be lost resulting in missing values. Furthermore, it is widely accepted to use such variables in their original form (Uriel, 2019).

As a method itself, Generalized Method of Moments (GMM) is applied. The method is distinguished between “difference GMM” and “system GMM”. The estimator was first suggested by Anderson and Hsiao (1981) and later was developed by Arellano and Bond (1991) which proposed the method of difference GMM. Later, Arellano and Bover (1995) and Blundell and Bond (1998) proposed the system method. In difference GMM, “estimation starts by transforming all regressors, usually by differencing” (Roodman, 2006, p. 1). The system GMM augments difference GMM as it is building a system of two equations by estimating in both differences and levels (Roodman, 2006). Since Hansen (1982) has introduced the two-step estimation, it “has become an important estimation procedure in many areas of applied economics and finance” (Chausse, 2021, p. 1). The method is considered to be flexible as it only requires the assumptions about the moment conditions (Chausse, 2021). The moment conditions are described by Drukker (2015, December 3) as “expected values that specify the model parameters in terms of the true moments”. For short, instead of using the assumptions about the entire distribution, it uses the ones about the specific moments of the random variables (Drukker, 2015, December 3). Such method for the assessment of globalization effect on the indicators of economic development is widely used by multiple scholars. For example, some of them are Bergh and Nilsson (2010), Samimi and Jenatabadi (2014), Gozdor (2017), Coulibaly et al (2018), Didžgalvytė-Bujauskė et al (2019) and Zare (2019).

In this paper, the GMM estimations are selected due to their capability to address (1) the problems of reverse causality, (2) the panel data estimation bias, (3) the problems of autocorrelation and (4) heteroscedasticity (Gozgor, 2017). It employs difference GMM estimator, based on previous research conducted with a small sample (Samimi and Jenatabadi, 2014; Coulibaly et al, 2018). Also, one-step estimator is selected instead of two-step given that two-step estimator in small samples might have a problem derived from proliferation of instruments (Samimi and Jenatabadi, 2014). To additionally limit instrument proliferation, collapsed instrument matrix is used as suggested by Roodman (2009).

The GMM method must be tested for probability of overidentification (validity of the instruments) and serial autocorrelation (autocorrelation of error terms). For one-step option it is suggested to use Sargan test instead of Hansen test due to the differences in matrices (Roodman, 2009; Labra and Torrecillas, 2018). The null hypothesis ( $H_0$ ) says that overidentification restrictions are valid. The criterion of rejection / not rejection is  $p$ -value of  $\geq 0.05$  (5% significance level), therefore, if  $p$ -value is equal to or higher than 5%,  $H_0$  is not rejected – instruments are valid and overidentification does not exist. However,  $p$ -value should not be close to 1 as then it means that “asymptotic properties of the test have not been applied” (Labra and Torrecillas, 2018, pp. 41). In such case,  $H_0$  should be rejected as well. The second condition of serial autocorrelation is tested through Arellano and Bond (AR) test. Although it calculates for both AR (1) and AR (2) tests, for the criterion of rejection / not rejection of  $p$ -value  $> 0.05$  (5% significance level), AR (2) test outcome is used.  $H_0$  states that autocorrelation does not exist. Therefore, if  $H_0$  is not rejected, there is no serial autocorrelation of the error terms.

It was also decided to include year dummies, since using panel data may have some effects caused by the time periods used. To limit these effects, time dummies are used by many researchers, including examples in the studies of Bergh and Nilsson (2010), Samimi and Jenatabadi (2014) and Yolcu Karadam (2020). In addition, Roodman (2009) also suggests the use of time dummies, since their inclusion increases the probability that the assumption of no correlation across individuals in the idiosyncratic disturbances will be maintained.

Finally, for significant results the tests with lagged independent variables will be used to see if new insights could be found in a relationship.

## 2.2. The Results of the Empirical Research of the Impact of Globalization on Economic Development in Emerging Countries of Latin America

### 2.2.1. The Results on Globalization-Economic Growth Relationship

The following section presents the results obtained by applying the one-step difference GMM method to previously constructed 1<sup>st</sup> model in order to measure the impact of globalization on economic development through economic growth. The previous studies mainly suggest that globalization has effect on economic growth and mostly economic globalization has positive results (Kilic, 2015; Coulibaly et al, 2018; Gygli et al, 2019). Similarly, positive results are as well expected when evaluating the effects of globalization on economic growth in Latin America. To obtain the results, the regression which consists of the lagged dependent GROW variable, the independent [GLOB] variable and the control variables – CLF, CCAP and CEGOV – is employed.

The results of the impact of economic globalization, together with control variables, on economic growth are presented in Table 7.

**Table 7**

*GMM estimation for 1<sup>st</sup> model measuring EGLOB impact*

| Variables                      | Coefficient | Significance ( <i>p</i> -value) |
|--------------------------------|-------------|---------------------------------|
| GROW ( <i>t</i> - 1)           | 0.084       | 0.714                           |
| CLF, ln                        | -9.765      | 0.412                           |
| CCAP, ln                       | 3.157       | 0.359                           |
| CEGOV, ln                      | 1.667       | 0.436                           |
| EGLOB, ln                      | 3.572       | 0.280                           |
| No. of observations            |             | 102                             |
| No. of instruments             |             | 19                              |
| AR (2) test ( <i>p</i> -value) |             | 0.348                           |
| Sargan test ( <i>p</i> -value) |             | 0.851                           |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

The estimated results reveal that both conditions of overidentification restrictions and serial autocorrelation are valid as *p*-values are >0.05. However, the results do not suggest any significant effects of chosen variables on economic growth (*p*-value >0.05). The outcome reveals that economic globalization, together with capital and human capital, would have had a positive effect on economic growth if the results were significant. Then this would mean that as countries become more economically globalized, increase capital formation, and spend more on education out of GDP, the economic level of countries would also grow.



The negative coefficient of the labor force variable is an unexpected result. The indicator of labor force participation rate (% of total population ages 15-64) suggests that economic growth should be expected as the number of people participating in the labor force decreases. However, the obtained coefficient is also not significant ( $p$ -value  $>0.05$ ) for further analysis.

While evaluating economic globalization impact on economic growth, the results do not suggest significant effects as well ( $p$ -value  $>0.05$ ). Based on the outcome, economic globalization is not affecting the economic growth in emerging economies of Latin America. The obtained results do not coincide with the previously analyzed results of other researchers, where economic globalization has a significant and positive influence on economic growth (i.e., Kilic, 2015; Coulibaly et al, 2018; Gygli et al, 2019).

**Table 8**

*GMM estimation for 1<sup>st</sup> model measuring SGLOB impact*

| <b>Variables</b>          | <b>Coefficient</b> | <b>Significance (<math>p</math>-value)</b> |
|---------------------------|--------------------|--|
| GROW ( $t - 1$ )          | 0.104              | 0.679                                      |
| CLF, ln                   | -3.455             | 0.768                                      |
| CCAP, ln                  | 3.998              | 0.267                                      |
| CEGOV, ln                 | 1.623              | 0.353                                      |
| SGLOB, ln                 | 25.180             | 0.020**                                    |
| No. of observations       |                    | 102  |
| No. of instruments        |                    | 19   |
| AR (2) test ( $p$ -value) |                    | 0.326                                      |
| Sargan test ( $p$ -value) |                    | 0.791                                      |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

Similar results are obtained when assessing the impact of social globalization on economic growth (see Table 8) for all control variables and lagged variable, however, there are clear difference in the impact of social globalization on economic growth as the result is significant at 5% significance level ( $p$ -value  $<0.05$ ). The impact is positive and statistically significant, meaning that as countries proceed to socially globalize, economic growth is expected to increase as well. Furthermore, the validity of instruments is confirmed by the outcome of Sargant test where  $H_0$  is not rejected, and the second condition of serial autocorrelation is satisfied as well (both  $p$ -value  $>0.05$ ).

Previously conducted studies show different results – both the significance of social globalization for economic development (i.e., Gygli et al, 2019) and the absence of significance (Didžgalvytė-Bujauskė et al, 2019). The above estimated results agree with the positive and statistically significant relationships found in studies as the positive and statistically significant

impact is evident. Dual evaluations are observed quite often due to the data of different countries and regions utilized in the studies, and when evaluating the influence of social globalization, it is noticed that it affects developing countries more (Gygli et al, 2019), which also agrees with the results obtained above, since non-developed economies such as those in Latin America are evaluated.

**Table 9**

*GMM estimation for 1<sup>st</sup> model measuring PGLOB impact*

| <b>Variables</b>      | <b>Coefficient</b> | <b>Significance (p-value)</b> |
|-----------------------|--------------------|-------------------------------|
| GROW ( $t - 1$ )      | 0.135              | 0.521                         |
| CLF, ln               | -8.326             | 0.471                         |
| CCAP, ln              | 2.700              | 0.390                         |
| CEGOV, ln             | 1.461              | 0.380                         |
| PGLOB, ln             | 10.742             | 0.029**                       |
| No. of observations   |                    | 102                           |
| No. of instruments    |                    | 19                            |
| AR (2) test (p-value) |                    | 0.331                         |
| Sargan test (p-value) |                    | 0.777                         |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

Similar to social globalization, political globalization has a positive effect on economic growth and reveals statistically significant results at significance level of 5% ( $p$ -value  $<0.05$ ). Other variables demonstrate similar results as previously. The model also meets two necessary conditions of validity of instruments and autocorrelation of error terms ( $p$ -value  $>0.05$ ).

Although the impact of political globalization on economic growth is little studied separately, such results agree with at least one of the studies (Gygli et al, 2019). Here political globalization is measured by assessing the affiliation of countries to various international missions, organizations, signed treaties, therefore, the idea that the affiliation of countries to various international organizations and close global cooperation can have a positive relationship with the economic growth of countries, based on the results obtained above, is persuasive.

**Table 10**

*GMM estimation for 1<sup>st</sup> model measuring OGLOB impact*

| <b>Variables</b> | <b>Coefficient</b> | <b>Significance (p-value)</b> |
|------------------|--------------------|-------------------------------|
| GROW ( $t - 1$ ) | 0.059              | 0.834                         |
| CLF, ln          | -5.044             | 0.628                         |
| CCAP, ln         | 3.493              | 0.360                         |
| CEGOV, ln        | 2.536              | 0.182                         |
| OGLOB, ln        | 23.376             | 0.002***                      |

## Continuation of Table 10

|                                |       |
|--------------------------------|-------|
| No. of observations            | 102   |
| No. of instruments             | 19    |
| AR (2) test ( <i>p</i> -value) | 0.308 |
| Sargan test ( <i>p</i> -value) | 0.851 |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

Finally, overall globalization shows similar results to the social and political globalization impact outcomes (see Table 10). The model meets the conditions of overidentification and serial autocorrelation ( $p$ -value  $>0.05$ ) and overall globalization variable is also statistically significant at significance level of 1% ( $p$ -value  $<0.05$ ). Although the results initially showed that economic globalization has no effect on economic growth, the connection is discovered when globalization is evaluated as a whole, without dividing it into separate dimensions. Such an assessment of globalization is often found in the literature, where the results agree with the results revealed above that overall globalization has a positive impact on economic growth. Such results are described by Gygli et al (2019), Dreher (2006), Potrafke (2015), etc. Based on the results, globalization has a positive influence on the economic development of emerging countries of Latin America.

However, it should be noted that all the analyzed results assume that the generalized evaluation may be wrong due to the visible different results when the dimensions are evaluated separately. Assessment of overall globalization, where a positive influence on economic growth is observed, can be misleading regarding the assessment of economic globalization and what impact it could have on economic growth. Thus, the separate evaluation of the dimensions is useful for a more detailed analysis of the results and further evaluation.

This observation is also confirmed by using lagged independent variables in an analysis (globalization variables lagged by at least one year) where the results are found similar: it has been revealed that there are no significant results when evaluating the influence of different dimensions of globalization on economic growth separately, but once evaluating overall globalization, the influence becomes statistically significant at the 10% significance level.

### 2.2.2. The Results on Globalization-Income Inequality Relationship

Next, the impact of globalization on income inequality in emerging countries of Latin America is examined considering the 2<sup>nd</sup> model, where the regression consists of the lagged dependent INEQ variable, the independent [GLOB] variable and the control variables – CGROW, CASO and CLF. The theoretical background suggests that globalization can increase income

inequality in regions, but it remains ambiguous. Previous studies claim that deterioration in income equality might be associated with increasing globalization (Arslan et al, 2018) and show that it is social globalization that has a statistically significant effect on income inequality (Bergh and Nilsson, 2010). Similar results are expected in the Latin American case as well based on the studies previously conducted.

**Table 11**

*GMM estimation for 2<sup>nd</sup> model measuring EGLOB impact*

| <b>Variables</b>      | <b>Coefficient</b> | <b>Significance (p-value)</b> |
|-----------------------|--------------------|-------------------------------|
| INEQ ( $t - 1$ ), ln  | 0.087              | 0.666                         |
| CGROW                 | 0.001              | 0.387                         |
| CASO, ln              | 0.023              | 0.052*                        |
| CLF, ln               | -0.052             | 0.665                         |
| EGLOB, ln             | 0.065              | 0.294                         |
| No. of observations   |                    | 69                            |
| No. of instruments    |                    | 19                            |
| AR (2) test (p-value) |                    | 0.270                         |
| Sargan test (p-value) |                    | 0.395                         |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

The results of the research show that economic globalization impacts income inequality positively, meaning that as countries economically globalize, they increase income inequality in their countries; however, it is not statistically significant effect ( $p$ -value  $>0.05$ ). Bergh and Nilsson (2010) find also positive effects, however in their comparison of different models they find both significant and insignificant results of economic globalization effects on income inequality.

In the above evaluation, only control variable CASO is statistically significant at significance level of 10% with a positive effect. Such an outcome is rather unusual, as it suggests that as social welfare increases, income inequality also increases. At the theoretical level, it is expected that increasing social welfare will reduce income inequality, not the other way around. Such a theory is confirmed in a study by Sanchez and Perez-Corral (2018) where the authors claim that spending on social protection negatively affects income inequality. Thus, in comparison the above results suggest opposite. It implies that social protection spending is not necessarily distributed efficiently, however, additional research is needed to substantiate the claim. Other control variables do not have any significant effect.

Although economic globalization does not have any significant effect on income inequality based on the study outcome above, the model satisfies both conditions of overidentification and

autocorrelation of error terms. Nevertheless, there is insufficient evidence to support the claim that economic globalization affects income inequality in emerging countries of Latin America.

**Table 12**

*GMM estimation for 2<sup>nd</sup> model measuring SGLOB impact*

| <b>Variables</b>      | <b>Coefficient</b> | <b>Significance (p-value)</b> |
|-----------------------|--------------------|-------------------------------|
| INEQ ( $t - 1$ ), ln  | 0.155              | 0.509                         |
| CGROW                 | 0.002              | 0.099*                        |
| CASO, ln              | 0.021              | 0.073*                        |
| CLF, ln               | -0.059             | 0.583                         |
| SGLOB, ln             | -0.066             | 0.556                         |
| No. of observations   |                    | 69                            |
| No. of instruments    |                    | 19                            |
| AR (2) test (p-value) |                    | 0.294                         |
| Sargan test (p-value) |                    | 0.403                         |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

The results of the social globalization assessment (see Table 12) fail to identify significant negative effects ( $p$ -value  $>0.05$ ) from social globalization on income inequality as well, although conditions for GMM estimator are both satisfied ( $p$ -value  $>0.05$ ). Based on the study by Bergh and Nilsson (2010), it was expected that the results would be significant. However, the previous research shows positive direction – as social globalization increases, the same does income inequality, contrary to above findings in a Table 12. In this model, the labor force coefficient, although insignificant, is as well not in line with the previous studies (Higgins and Williamson, 1999; Bergh and Nilsson 2010; Sanchez and Perez- Corral, 2018).

**Table 13**

*GMM estimation for 2<sup>nd</sup> model measuring PGLOB impact*

| <b>Variables</b>      | <b>Coefficient</b> | <b>Significance (p-value)</b> |
|-----------------------|--------------------|-------------------------------|
| INEQ ( $t - 1$ ), ln  | 0.135              | 0.575                         |
| CGROW                 | 0.001              | 0.219                         |
| CASO, ln              | 0.021              | 0.076*                        |
| CLF, ln               | -0.030             | 0.800                         |
| PGLOB, ln             | 0.069              | 0.553                         |
| No. of observations   |                    | 69                            |
| No. of instruments    |                    | 19                            |
| AR (2) test (p-value) |                    | 0.286                         |
| Sargan test (p-value) |                    | 0.423                         |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

Here, political globalization demonstrates insignificant positive effects on income inequality (see Table 13) ( $p$ -value  $>0.05$ ). Since the coefficient is positive, this, if significant, could indicate that income inequality increases as political globalization increases. The only statistically significant coefficient is social welfare control variable at the significance level of 10% ( $p$ -value  $<0.1$ ), meaning that as social welfare increases, increases income inequality as well and creating opposite results than previously suggested. The problems of overidentification and serial autocorrelation are not identified within a model ( $p$ -value  $>0.05$ ). Given obtained results, the outcome is opposite than suggested by Bergh and Nilsson (2010) where researchers claim that political globalization does not increase inequality. However, such comparison is doubtful as the results obtained above are insignificant for further analysis. Therefore, there is not enough evidence to argue that political globalization significantly affects income inequality in emerging countries of Latin America.

**Table 14**

*GMM estimation for 2<sup>nd</sup> model measuring OGLOB impact*

| <b>Variables</b>          | <b>Coefficient</b> | <b>Significance (<math>p</math>-value)</b> |
|---------------------------|--------------------|--|
| INEQ ( $t - 1$ ), ln      | 0.113              | 0.615                                      |
| CGROW                     | 0.001              | 0.348                                      |
| CASO, ln                  | 0.022              | 0.061*                                     |
| CLF, ln                   | -0.026             | 0.834                                      |
| OGLOB, ln                 | 0.127              | 0.511                                      |
| No. of observations       |                    | 69   |
| No. of instruments        |                    | 19   |
| AR (2) test ( $p$ -value) |                    | 0.284                                      |
| Sargan test ( $p$ -value) |                    | 0.216                                      |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

When assessing the effect of overall globalization on income inequality, no statistically significant coefficients were found as well (see Table 14) ( $p$ -value  $>0.05$ ). The coefficient is positive, suggesting that, if significant, as countries become more globalized, income inequality rises. It agrees with Arslan et al (2018) and Bergh and Nilsson (2010) study results regarding positive effects, however the latter study finds statistically significant results at 10%. In Latin American case, it was also argued that globalization should increase inequality as it affects it through effects on income distribution (Nissanke and Thorbecke, 2010). However, no such significant results are found in an above study (see Table 14).

Similar to previous outcome, the control variable reflecting social welfare is significant ( $p$ -value  $<0.05$ ) while other variables are insignificant. As with other models of income inequality,

this also does not face the validity of instruments and autocorrelation of error terms issues, thus, the model is valid ( $p$ -value  $>0.05$ ).

In summary, neither economic, nor social, nor overall globalization has an impact on income inequality in emerging countries of Latin America based on a study results. Although researchers have previously found links between income inequality and overall / social globalization, these statistically significant effects have not been found in Latin America, considering the results of the conducted study.

### 2.2.3. The Results on Globalization-Poverty Relationship

Lastly, the influence of globalization on the poverty level is studied using the 3<sup>rd</sup> model, where POV is a lagged dependent value, [GLOB] is an independent variable and CGROW, CURB and CINF are control variables. Previous studies have found evidence that globalization has a negative correlation with poverty, thus, as countries globalize, poverty levels are reduced (Bergh and Nilsson, 2014; Rudra and Tobin; 2017; Deyshappria, 2018). Corresponding results are expected in this study as well.

**Table 15**

*GMM estimation for 3<sup>rd</sup> model measuring EGLOB impact*

| <b>Variables</b>          | <b>Coefficient</b> | <b>Significance (<math>p</math>-value)</b> |
|---------------------------|--------------------|--|
| POV ( $t - 1$ ), ln       | -0.020             | 0.958                                      |
| CGROW                     | 0.009              | 0.803                                      |
| CURB, ln                  | 1.990              | 0.734                                      |
| CINF                      | 0.021              | 0.291                                      |
| EGLOB, ln                 | -0.045             | 0.975                                      |
| No. of observations       |                    | 78   |
| No. of instruments        |                    | 19   |
| AR (2) test ( $p$ -value) |                    | 0.057                                      |
| Sargan test ( $p$ -value) |                    | 0.239                                      |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

First, when assessing the influence of economic globalization, the results show (see Table 15) that, unlike expected, general economic globalization has not significant effects on poverty ( $p$ -value  $>0.05$ ), however, demonstrates a negative effect as suggest by previous studies. It argues that by taking measures and thus becoming more economically globalized, level of the poverty reduces. Nevertheless, based on the study such insights are statistically insignificant. The model

also meets the prerequisites by not facing issues of overidentification and serial autocorrelation ( $p$ -value  $>0.05$ ).

Although control variables are also insignificant, all of them pose positive coefficients, which means that as they increase, poverty increases as well. The outcome for an effect of urbanization is surprising as a new view of urbanization impact is supporting an idea that by urbanizing more, the poverty reduces. Such findings are confirmed by Bergh and Nilsson (2014). However, if significant, the above results with inflation having a positive coefficient would imply that inflation is not beneficial for poor. These findings are in line with a statement by Bergh and Nilsson (2014) which argue that inflation is “harmful to the poor, whose assets are typically less protected against inflation” (p. 46) and Easterly and Fischer (2001) that support that inflation worsen off poor.

**Table 16**

*GMM estimation for 3<sup>rd</sup> model measuring SGLOB impact*

| <b>Variables</b>          | <b>Coefficient</b> | <b>Significance (<math>p</math>-value)</b> |
|---------------------------|--------------------|--|
| POV ( $t - 1$ ), ln       | 0.017              | 0.968                                      |
| CGROW                     | 0.013              | 0.705                                      |
| CURB, ln                  | 2.088              | 0.722                                      |
| CINF                      | 0.027              | 0.158                                      |
| SGLOB, ln                 | -1.392             | 0.632                                      |
| No. of observations       |                    | 78   |
| No. of instruments        |                    | 19   |
| AR (2) test ( $p$ -value) |                    | 0.069                                      |
| Sargan test ( $p$ -value) |                    | 0.147                                      |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

Table 16 shows that social globalization does not have any significant effects on the poverty level, but the coefficient is negative, which means that if it was statistically significant, as social globalization increases, the poverty level in countries reduces. However, no other chosen variables are significant as well, meaning that not studied variables might have more influence for Latin America case, although urbanization and inflation is usually studied in previous research. The model satisfies both conditions for GMM estimator – no issues of validity of instruments and serial autocorrelation are found ( $p$ -value  $>0.05$ ).

Similar to the other globalization dimension results above, political globalization has negative, however, insignificant effect on poverty ( $p$ -value  $>0.05$ ) (see Table 17) with no issues in identifying overidentification or autocorrelation of error terms ( $p$ -value  $>0.05$ ). No changes in other control variables due to its direction of coefficients and significance is noticed.



**Table 17***GMM estimation for 3<sup>rd</sup> model measuring PGLOB impact*

| <b>Variables</b>      | <b>Coefficient</b> | <b>Significance (p-value)</b> |
|-----------------------|--------------------|-------------------------------|
| POV ( $t - 1$ ), ln   | 0.005              | 0.990                         |
| CGROW                 | 0.009              | 0.807                         |
| CURB, ln              | 2.736              | 0.598                         |
| CINF                  | 0.022              | 0.298                         |
| PGLOB, ln             | -0.691             | 0.596                         |
| No. of observations   |                    | 78                            |
| No. of instruments    |                    | 19                            |
| AR (2) test (p-value) |                    | 0.071                         |
| Sargan test (p-value) |                    | 0.209                         |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

Finally, the overall globalization impact on poverty is measured (see Table 18). Although the model meets the prerequisites for both validity of instruments and serial autocorrelation ( $p$ -value  $>0.05$ ), there are also no significant results noticed. Therefore, no types of globalization have any effect in relation to the poverty in emerging economies of Latin America.

**Table 18***GMM estimation for 3<sup>rd</sup> model measuring OGLOB impact*

| <b>Variables</b>      | <b>Coefficient</b> | <b>Significance (p-value)</b> |
|-----------------------|--------------------|-------------------------------|
| POV ( $t - 1$ ), ln   | 0.029              | 0.941                         |
| CGROW                 | 0.010              | 0.763                         |
| CURB, ln              | 2.306              | 0.706                         |
| CINF                  | 0.024              | 0.184                         |
| OGLOB, ln             | -0.956             | 0.655                         |
| No. of observations   |                    | 78                            |
| No. of instruments    |                    | 19                            |
| AR (2) test (p-value) |                    | 0.067                         |
| Sargan test (p-value) |                    | 0.203                         |

\*\*\*Denotes significant at 1% level, \*\*significant at 5% level, \*significant at 10% level

Source: compiled by the author using Stata

Based on the observed outcome of study if the changes noticed in various types of globalization are associated with the changes in poverty, no significant results were noticed. Although previous studies identify the findings that as countries globalize, the poverty tends to reduce (Bergh and Nilsson, 2014; Rudra and Tobin; 2017; Deyshappria, 2018), the above study suggests that positive changes in globalization indeed decrease poverty level, however, cannot be

analyzed as significant results. Significance evidence may be not obtained because indeed, in developing countries, incentives from political institutions are important for globalization to have a link with poverty reduction. Rudra and Tobin (2017) also lead this discussion, where the authors claim that countries often under-prioritize poverty reduction, and government involvement could ease the link between globalization and poverty reduction.

## CONCLUSIONS

An in-depth analysis of the literature on the impact of globalization on economic growth and an assessment of the topic in the context of emerging countries of Latin America led to the following conclusions:

1. The concept of globalization is rather complex and heterogenous, multifaceted phenomenon. However, in line with the most recent discussions, globalization is ultimately defined as a multi-dimensional and multi-scalar phenomenon of increasing the interconnectedness and interrelatedness of various aspects of society (including but not limited to economic, political, social, etc., dimensions). In line with this concept, the KOF Globalization Index appears to be the most acceptable measure for globalization. However, the assessments reveal that there is no single way to construct indices, as the approach to the phenomenon itself usually varies.
2. Globalization in Latin America has not been as rapid as in other countries, and even the pace of globalization varied among its emerging economies. The region has been firstly affected by the first wave of globalization due to increased migration, but later the level of globalization changed rather slowly. The slowdown was affected by skeptical thoughts about the phenomenon, however, eventually, with liberal movements, the level of globalization increased. The changes were perceived as both positive and negative.
3. The concept of economic development is also rather complex and debatable, however, has evolved considerably and expanded beyond its traditional understanding. The traditional approach explains economic development by solely focusing on economic growth. Later it becomes clear that economic growth is only one component, not the end point. Therefore, economic development is defined as the process of achieving a sustainable improvement in the quality of life and economic well-being and is measured by considering the respective indicators which include such measures as poverty and income inequality, etc.
4. The emerging economies of Latin America, although gradually moving forward on the path to development, are still not considered as developed countries. The analysis of the secondary data and other studies revealed that problems such as poverty and income inequality are still not sufficiently addressed, and a large percentage of people are at risk of falling below the poverty line. Additionally, in order to catch up with developed

countries, labor and the political system must be significantly improved since it can have positive consequences for the economic growth.

5. The impact of globalization on the economic development is debatable and requires further research, as scholars keep the debate open. The impact discussed in the literature is related with the effects on economic growth, inequality, well-being, and poverty, through which the economic development of the regions, including the emerging countries of Latin America, is assessed. While some authors see the positive effects of globalization on the discussed indicators of economic development, others question their significance and positivity, and the results are usually twofold. Although it is evident that globalization may have an impact on the economic development, the precise role remains a question for further research.
6. The results of the study reveal that social, political, and overall globalization has statistically significant positive associations with economic growth in emerging economies of Latin America. The only dimension for which no significant outcome is found is economic globalization, unlike many scholars claim. The results that economic globalization has no influence on economic growth do not coincide with the previously analyzed results, where economic globalization has a significant and positive effect. Therefore, such insights are not confirmed in this research. Many researchers evaluate globalization impact on economic growth through only testing overall globalization, but the outcome of the conducted research implies that such evaluation might yield inaccurate and / or misleading results.
7. No significant evidence was found that globalization is associated with level of income inequality changes. The conducted study suggests that economic, political, and overall globalization impacts income inequality positively, meaning that globalization is associated with increases in income inequality. Contrary, social globalization suggests opposite effect. However, all obtained results are insignificant. Although researchers have previously found links between income inequality and overall / social globalization, these effects cannot be confirmed in emerging economies of Latin America, considering the results of the conducted study.
8. The results of the study suggest negative relationship between all dimensions of globalization in line with the previous studies conducted, meaning that as countries are becoming more globalized, the level of poverty reduces. However, obtained results are not significant in the emerging countries of Latin America and, therefore, no type of globalization has a significant effect on poverty in the region.

## RECOMMENDATIONS

After analyzing the obtained research results and comparing them with previous studies, further recommendations addressing the relationship between globalization and economic development and possible further research are presented:

1. Globalization should be viewed not only from an economic point of view, aiming for globalization to contribute to the economic development of emerging economies of Latin America through economic growth, measured by GDP growth. Since the study results reveal that social and political globalization significantly contributes to economic growth, political institutions should pay attention to the social and political aspects of globalization and thereby increase the level of such globalization in the region to achieve greater economic growth. For example, improvements for tourism, communication, Internet bandwidth, media accessibility, higher assurance of people's liberties, and creation of strong human capital would contribute to the promotion of social globalization. Political globalization could be addressed through greater accession to international organizations and a wider and more diverse number of treaty partners. In addition, it is recommended to open more embassies as well as to join more peace missions and international non-governmental organizations.
2. Since the results of the study reveal that different results are observed when evaluating each dimension of globalization separately, it is worthwhile to analyze globalization from a multi-dimensional point of view, rather than from an absolute one. Overall assessment of globalization can mislead researchers and discovered relationships; thus, it is worthwhile to break down globalization into different dimensions during research and only then draw conclusions based on the results. Such an assessment more accurately reveals which aspects of the globalization are associated with changes in the economic development of countries and can help to recommend appropriate actions for political institutions to be taken.
3. When evaluating the relationship between globalization-income inequality and globalization-poverty, it would be worth paying attention to political institutions and their incentives for the formation of this relationship as well. The controversial results that social welfare spending is associated with the growth of income inequality suggest that the actions of political institutions (as addressing income inequality and poverty problems) are an interesting topic for further study as the obtained outcome is different from what theory suggests. Examining the influence of political institutions should also

consider whether governments facilitate the links between globalization and income inequality and globalization and poverty.

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# GLOBALIZACIJOS POVEIKIS LOTYNŲ AMERIKOS BESIVYSTANČIŲ ŠALIŲ EKONOMINIAM VYSTYMUISI

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*Globalaus verslo ir ekonomikos magistro studijų programa*

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## SANTRAUKA

50 puslapių, 18 lentelių, 6 paveikslai, 108 literatūros šaltiniai.

Magistro baigiamojo darbo tikslas – įvertinti, kaip globalizacija veikia besivystančių Lotynų Amerikos šalių ekonomikos vystymąsi.

Darbą sudaro dvi pagrindinės dalys – literatūros apžvalga ir tiriamoji dalis, kurią sudaro kiekybinis tyrimas.

Literatūros analizė pristato globalizacijos ir ekonomikos vystymosi sampratą, vertinimą ir reiškinių kompleksiskumą, atskleidžia Lotynų Amerikos globalizacijos raidą ir ekonomikos vystymosi dinamiką bei palygina anksčiau atliktų tyrimų įžvalgas tarpusavyje.

Kiekybinio tyrimo metu globalizacijos ir ekonomikos vystymosi ryšiai vertinami per ekonomikos augimą, pajamų nelygybę ir skurdą, naudojant 13 Lotynų Amerikos besivystančių ekonomikų duomenis 10 metų laikotarpiu nuo 2010 m. iki 2019 m. Pagrindinis tyrimo tikslas – įvertinti globalizacijos įtaką besivystančių Lotynų Amerikos šalių ekonominio išsivystymo rodikliams. Analizė atliekama naudojant apibendrintą momentų metodą (angl. – one-step difference GMM estimator). Gauti rezultatai analizuojami, lyginami bei apibendrinami.

Atliktas tyrimas atskleidžia, kad socialinė, politinė ir bendra globalizacija turi statistiškai reikšmingą teigiamą ryšį su ekonomikos augimu besivystančiose Lotynų Amerikos šalyse. Gauti rezultatai, kad ekonominė globalizacija neturi įtakos ekonomikos augimui, nesutampa su anksčiau atliktais tyrimais, kur ekonominė globalizacija turi reikšmingą ir teigiamą poveikį. Nerasta jokių reikšmingų įrodymų, kad globalizacija būtų susijusi su pajamų nelygybės lygiu ir skurdo pokyčiais besivystančiose Lotynų Amerikos šalyse.

Išvadose apibendrinamos pagrindinės literatūros apžvalgos idėjos ir atlikto tyrimo rezultatai. Remiantis gautais rezultatais, rekomenduojama politinėms institucijoms pozityviai adresuoti socialinės ir politinės globalizacijos aspektus, skatinant ekonomikos vystymąsi per ekonomikos augimą besivystančiose Lotynų Amerikos šalyse. Be to, tolesniuose tyrimuose siūloma globalizacijos poveikį matuoti įvairiomis dimensijomis (ekonominė, socialinė ir politinė), siekiant tiksliau identifikuoti ir atitinkamai adresuoti ekonominį vystymąsi spartinančius veiksnius. Galiausiai, siūloma atlikti tolesnius tyrimus, siekiant iširti politinių institucijų įtaką globalizacijos ir pajamų nelygybės bei skurdo ryšio klausimu.

# THE IMPACT OF GLOBALIZATION ON ECONOMIC DEVELOPMENT OF EMERGING COUNTRIES OF LATIN AMERICA

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Master thesis

*Global Business and Economics master study programme*

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## SUMMARY

50 pages, 18 tables, 6 figures, 108 references.

The aim of the master thesis is to evaluate how globalization affects the economic development of the emerging countries of Latin America.

The paper is divided into two main parts – an overview of the literature and a research part consisting of a quantitative study.

Literature analysis presents the debate and complexity of the concept and measurement of globalization and economic development, reveals the evolution of globalization and dynamics of economic development in Latin America as well as compares the insights from previous studies.

The quantitative study measures the globalization and economic development associations through economic growth, income inequality and poverty, utilizing the data from 13 emerging economies in Latin America for the period of 10 years from 2010 until 2019. The main purpose of the research is to evaluate the impact of globalization on the indicators of economic development in the emerging countries of Latin America. The analysis is performed by employing the one-step difference GMM estimator. The results are analyzed, compared and summarized.

The performed research revealed that social, political, and overall globalization has statistically significant positive associations with economic growth in emerging economies of Latin America. The results that economic globalization has no influence on economic growth do not coincide with the previously analyzed studies, where economic globalization has a significant and positive effect. No significant evidence was found that globalization is associated with level of income inequality and poverty changes in emerging economies of Latin America.

The conclusions summarize the main ideas of literature review and the results obtained from the conducted research. Based on the outcome, the author recommends political institutions to positively address social and political globalization aspects to promote the economic development through economic growth in emerging economies of Latin America. Additionally, it is suggested to measure globalization impact through different dimensions (economic, social and political) to more precisely find and address the factors accelerating economic development. Finally, it is suggested for further research to examine the impact of political institutions on the issue of the relationship between globalization and income inequality and poverty.