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## ECONOMIC DEVELOPMENT AND GLOBALIZATION

Taking place for years' globalization processes exert an increasing influence on the national economies of individual countries. The growth rate of world product was always significantly correlated with the growth of national economies, especially those countries that were economically strong.

In this paper the question of the correlation between the level of globalization and the growth and economic development in the world. It presents positive and negative aspects of this phenomenon in relation to the global economy. Particular attention was paid to the problem of uneven development in the world and its association with globalization.

There have been attempts to explain the costs and benefits of the issues raised in this article, i.e. globalization and colonization. It also shows the impact of globalization on the economy of countries in the world as well as economic growth and development. Developed tests indicated in terms of length of time series and selection of indicators that would allow wider perspective on this issue.

*Key words:* globalization, economic development, economic growth.

### Introduction

In the conditions of modern global economy can't be separated from the process of globalization concepts such as economic growth, development or backwardness. There are many conflicting views on the link between these phenomena. Opponents of globalization argue that this process, especially by historical standards (eg colonialism), is the direct cause of deepening inequalities in the world, especially in the socio-economic development (see m. In: Césaire, 1972; Wa Muiu, 2010, pp. 1311–1334; Fieldhouse, 2011, Abdi, 2010, pp. 1–26; Bilas, Franc, 2010, pp. 104–118). Proponents point to turn on the beneficial impact of globalization on the development of many developed and developing economies. But the fact is that some of the participants of globalization refers much greater co-vantages than the rest of the “processes of trade and financial liberalization, privatization, deregulation and concentration organizational and capital” (Kosztowniak, 2008, p. 45). For this reason, the World Bank has distinguished next two subgroups rich countries to developing countries: countries<sup>1</sup> that are more and less involved in globalization<sup>2</sup>. For the division criterion was the dynamics of international trade of these countries.

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<sup>1</sup> The first group consists of 24 countries (including Argentina, Brazil, China, India), the second – 49 developing countries.

<sup>2</sup> Globalization, Growth and Poverty. Building an Inclusive World Economy (2002).

### **1. Colonialism and Globalization – Costs and Benefits**

Particular attention to the negative effects of globalization, which influenced the formation of the very different conditions in different countries, returns Chang (2003). The author points out that at the end of the nineteenth century, the contemporary wave of globalization has led to an asymmetric impact. The biggest benefits relate the colonial powers (due to the international economic integration, capital exports, imports of goods), as well as countries such as the USA or Canada, which has already established the preconditions necessary for the industrialization process. Other countries and regions have been falling further behind, with no chance of industrialization and development. Began to increase economic inequalities between countries and within each country. Many economies in Asia, Africa and South America, especially those that have been colony, experienced in the years 1870–1914 inhibition of starting the process of industrialization and negative growth. For some countries, has so despite the conduct of free trade and openness to foreign investment flowing (eg. India<sup>3</sup> or Indonesia). In the years 1860–1913 raw material- countries' share of world agricultural production has fallen from more than 0,33 to 0,1 (Chang, 2003, pp. 71–72). The process of their integration into the global economy was only apparent and consisted in the development of export of raw materials and food products. The benefits of globalization led in this case to the enrichment of local elites and the formation of a dual structure of the economies in many currently developing or underdeveloped countries. Similar effects and even greater imbalances in global economic development has brought another, the current wave of globalization, whose start dates are usually on the 70 twentieth century. It should of course take into account the fact that many developing countries now report a much higher economic growth than most developed countries. For many reasons (including low absolute value of GDP and the development of only certain sectors of the economy), this growth does not lead, however, to equalize the differences in development between the poorest and richest countries. You can venture to say that most of the least developed countries (Least Developed Countries, LDCs) experienced in the last 25 years rather than The Convergence Divergence<sup>4</sup>. Still accrue income and wage inequality, both between countries and within each country. The 80s brought about a significant increase in the percentage of poor people in South America and sub-Saharan Africa. In the 90s, the phenomenon is repeated in Eastern Europe (Chang, 2003). It is estimated that at present the positive effects of globalization cover only 20–25% of the world population (Piasecki, 2007, p. 27). Another approach to the problem of colonialism - globalization and development / underdevelopment presents Norberg (2006). The author argues that colonialism contributed to what is true for many the damage, but it cannot be called the cause of the current inequalities between countries of the North and the countries of the South.

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<sup>3</sup> Of course you must take into account the negative and positive aspects of the impact of British colonialism on the economy of India since the 70s nineteenth century.

<sup>4</sup> But we should not forget that the contemporary wave of globalization is also intensive development and a real improvement in the economic and social situation in many other developing countries, including those that are known. BRIC (Brazil, Russia, India, China).

“The wealthy world’s fastest growing properly from the moment when he lost colonies. Colonial countries are under foreign rule experienced greater prosperity than before, when they were free. Several of the world’s richest countries, such as Switzerland or the Scandinavian countries, there was never a colony or they had few colonies that did not represent, however, a higher value. Others, like the United States, Canada, Australia, New Zealand, Hong Kong and Singapore, were colonies themselves. On the other hand, many least developed countries of the world, such as Afghanistan, Liberia and Nepal, has never been colonies “(Norberg, 2006, p. 166). A similar, though slightly more moderate position is Lubbe (2010, p. 41). The author writes about globalization: “This is a very dynamic process does not lead to the emergence of a stable division between rich and poor. The interaction, as defined, does not benefit only one stronger part. The benefits of exchange, with the inclusion of the international division of labor, are almost always unbalanced; Long-term benefits are always determined by the adaptive capabilities [...] both sides [...]. Depending on their adaptability capital-importing countries [...] can use no less than-exporting countries”. In the remainder of his job Lubbe (2010) admits, however, that the low level of development of a country is reflected in the weakness of its state structures, which in turn greatly reduces the possibility of achieving the benefits of participation in the globalization process.

An important factor to be considered in the context of globalization – the growth / economic development is also technological progress. Technological progress is the direct cause of the continuous changes in the global economy. The old order is replaced by a new, obsolete technologies by improved. Schumpeter (1976, p. 81) calls this process “creative destruction”. In general, we can say that changes in technology lead to the growth and development of the economy, the increasing level of globalization, as well as of formation of the capitalist system. In the framework of capitalism, in turn, comes to the division of the world system participants into two groups: the losers and winners. Technology is the one of the main factors restraining the division (Smith, 2012; Smith, 2013, p. 19–20). Technological development brings with it many positive effects, m. Al. increase efficiency, reduce costs (production, transport and others), improving the quality, substantial facilitate communication, saving time. But this process usually requires large amounts of capital. Produced in rich countries technologies are, in turn, guarded and protected by patents, and if they end up in poor countries often cannot have a positive impact on their economies due to the lack of adaptability in these countries (due eg. To a lack of infrastructure and educated staff). Technological progress thus leads to growth, development and increase the level of globalization, but only for the elect.

As you can see, the views and opinions of economists on the impact of globalization (and colonialism) on the current situation and development countries in the world are very different. It is difficult to tell who is right in this dispute. The truth probably lies in the middle. You can’t say that globalization is the only, the most important and immediate cause of deepening inequalities in the world. There is no doubt, however, that the

processes of globalization have brought different countries and regions asymmetrically distributed benefits and costs, which contributed to the rise of inequality in the world.

Liberska (2002) and Kosztowniak (2008) move into their work another important issue concerning the relationship between globalization and development countries in the world. In recent years, increasing the intensity of making foreign direct investments and cross-border mergers and acquisitions undertaken by developing countries. In this process they are incorporated most companies and corporations with the BRIC countries, Mexico and the Middle East (as a state initiating the transaction). In 2012, the highest percentage of outward FDI in the produced GDP (net outflows of FDI) among developing countries characterized by, among others, countries such as Mauritius, Hong Kong, Singapore, Chile, Azerbaijan and Malaysia (discussed indicator, it ranged from 5,5 to 655,2%)<sup>5</sup>. More and more developing countries also initiates international mergers and acquisitions, targeting companies from developed countries. Among the initiators of such countries should be replaced undoubtedly India, China, Malaysia, and other countries of Southeast Asia<sup>6</sup>. The progressive process allows a different perspective to look at developing countries in the face of globalization – among them not only the victim and the big losers, but also the countries which have accepted the challenge and which was achieved thanks to the success of economic globalization.

## **2. Globalization and economic growth and development**

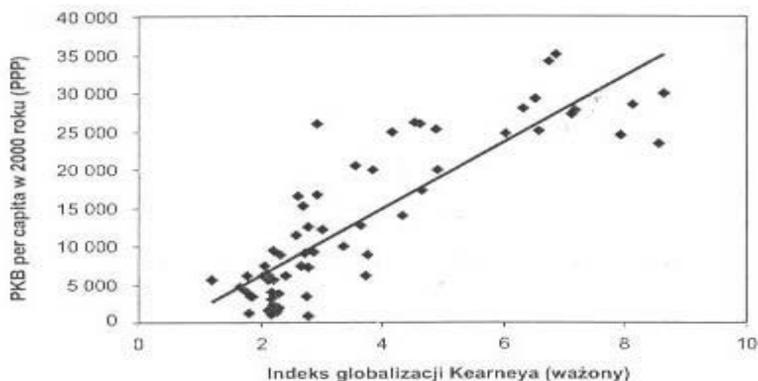
Researchers often analyzing the effect of particular aspects of globalization on economic growth and development in the world. Considering, for example, the effects of international trade, foreign direct investment, migration. However, there is little work that would take the subject of the impact of globalization on economic growth, treating this process in a comprehensive manner. This happens for many reasons. As already mentioned, there is no single common definition of globalization. Economists and other researchers understand the process often in a very different way. The holistic approach also prevents the globalization of its extraordinary complexity and multifaceted. Attempt a broader view of the impact of globalization on the development of, among others, taking However, Rybiński (2007). He carried out in 2006 among 61 countries studies have shown a positive correlation between globalization expressed Kearney<sup>7</sup> globalization index and economic growth as measured by GDP per capita. At the same time the author reported a weak negative correlation between the level globalized countries studied (2000.) And the average rate of economic growth in 2000–2004. Summarizing his research, Rybiński (2007) found that overall, globalization is beneficial for economic growth in the world. In addition, the relationship between the factors studied runs in two directions - globalization drives economic growth, and a high level of GDP driven globalization (Economist, 2007, p. 42–45). General results of Rybiński shown in the diagrams 1 and 2.

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<sup>5</sup> <http://databank.worldbank.org> (as of 27.09.2015).

<sup>6</sup> Thomson Reuters SDC (2011).

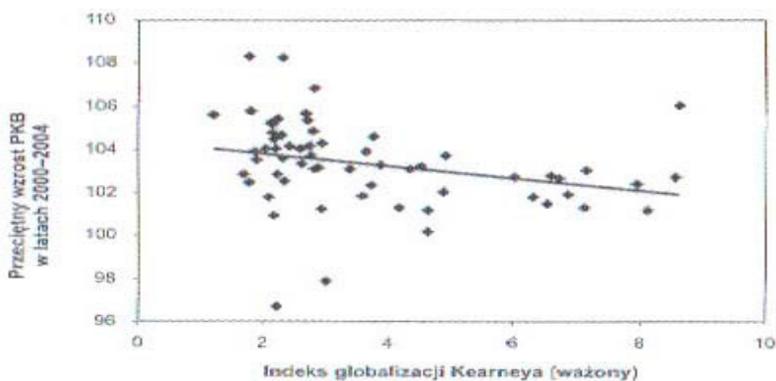
<sup>7</sup> look: <http://www.atkearney.com> (as of 4.10.2015).



Source: Economist (2007), p. 43.

**Figure 1. The relationship between GDP per capita and globalization**

Of course, as the author himself, you have to take into account that used in the study time series are very short. Globalization is a long-term process, the effects of which often appear after many years. However, excluding the aspect of the short period of the study, the data presented in Figure 1 indicate that the level of GDP per capita is positively correlated with the level of globalized of the country. Distribution of data in the chart 2 shows, in turn, that growth in GDP per capita decreases with increasing level of globalization (rich and highly globalized grow more slowly than countries relatively poor and less globalized). Graph 3 shows the results of tests similar to those conducted Rybiński<sup>8</sup> (2007). However, significantly extended the time series to eliminate any error of previous studies – were taken into account the period of 1970–2010. Reflects the level of globalization replaced Kearney globalization index KOF<sup>9</sup> index of globalization (207 countries, the arithmetic mean). For the level of global economic growth remains unchanged: GDP per capita (current dollars). Both indicators showed a strong positive correlation (correlation coefficient was 0,96).



Source: Economist (2007), p. 44.

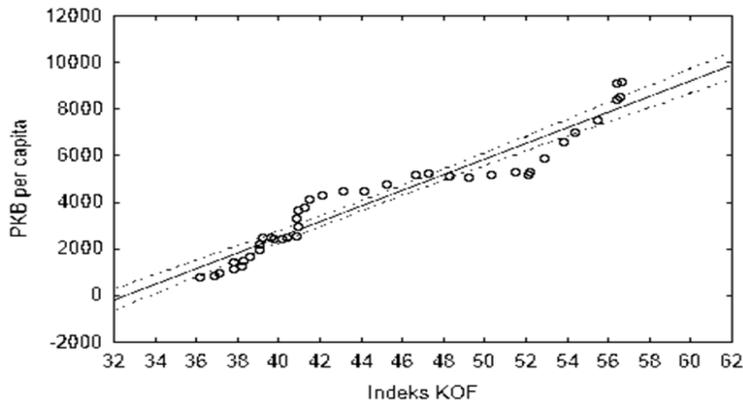
**Figure 2. The relationship between the dynamics of economic growth and globalization**

<sup>8</sup> Look figure 1.

<sup>9</sup> <http://globalization.kof.ethz.ch> (as of 13.08.2014).

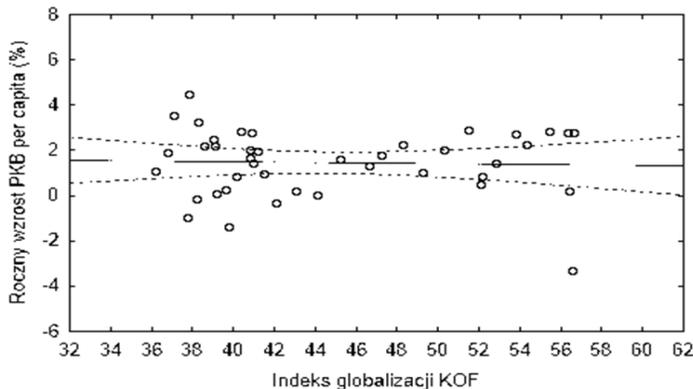
Chart 4 shows, in turn, the impact of globalization (KOF index) on the rate of economic growth per capita. Was used the same guidelines as for chart indicator 3. correlation between the two variables was  $-0,04$ , which indicates a weak negative correlation. Constructing graphs 3 and 4 are used much longer time series than in the case of testing Rybiński (2007). The obtained data confirm results of previous studies, however – globalization is strongly and positively correlated with the level of economic growth and weak and negatively with the dynamics of that growth.

Besides the length of the time series, doubts about the presented by Rybiński (2007) analysis also raises the notion of bringing economic growth to a limited indicator, which is GDP per capita<sup>10</sup>. At the moment it is difficult to point to a more comprehensive indicator, the value of which would be available for longer time series. Figure 5 attempted to investigate the impact of globalization on social development.



Source: own data base WDI (<http://databank.worldbank.org>, 15.10.2015) and <http://globalization.kof.ethz.ch> (10.15.2015).

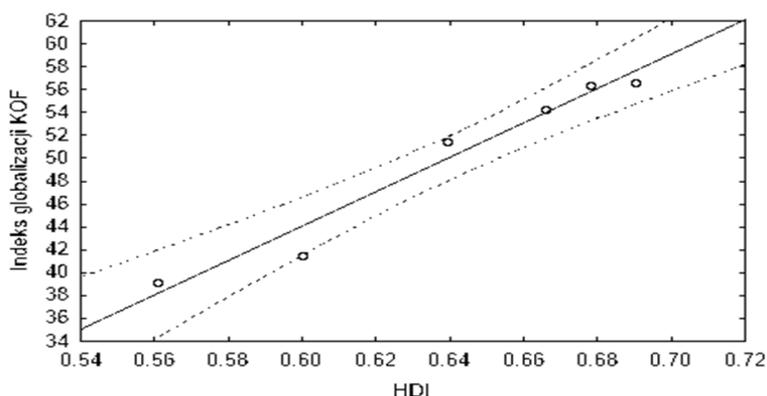
**Figure 3. The correlation between globalization KOF index and GDP per capita (1970–2010)**



Source: own data base WDI (<http://databank.worldbank.org>, 15.10.2015) and <http://globalization.kof.ethz.ch> (10.15.2015).

**Figure 4. Correlation between the KOF index of globalization and the annual growth GDP per capita (1970–2010)**

<sup>10</sup> And also the omission of a broader recognition analysis and the impact of globalization not only on the rise, but also for development.



Source: own data base WDI (<http://databank.worldbank.org>, 15.10.2015) and <http://globalization.kof.ethz.ch> (10.15.2015).

**Figure 5. The correlation between globalization KOF index and the index of HDI**

They were taken into account KOF index of globalization and the Human Development Index (HDI). The analysis is greatly simplified character. Due to restrictions on access to statistical data it was based solely on a short range of time – years: 1980, 1990, 2000, 2005, 2007 and 2010. Please also note that the index of HDI, as well as other complex indicators, has many disadvantages and It does not reflect the broad concept of developing or social development.

From the data presented in Figure 5 shows that between the two variables there is a very strong positive correlation (correlation coefficient of 0,98). Moreover, if analyze the correlation occurring between indices HDI and KOF for the most and least developed socially country (the highest and lowest level of HDI - Norway and Niger), it turns out that the relationship between variables is stronger for lower levels of social development (the correlation coefficient is 0,93 and 0,97 for Norway to Niger). This result may indicate that contrary to popular notion that underdeveloped countries only lose from globalization, globalization processes have a positive impact on the economic growth and development also in the poorest countries.

In all of these analyzes to measure the level of globalization was used complex meters – Kearney index or KOF Globalization Index. Measuring globalization through one global indicator but can also lead to a distorted view of the above issue. There are a number of developing countries, eg. Some African countries, where globalization is based only on one element of which are part of the process aspects (eg. On international trade or FDI inflow). It is difficult to compare extending in such a way that the process of globalization with a comprehensive globalization of rich and developed countries. The process of globalization in developed countries has a completely different face than in developing countries.

Table 1

**Correlation between globalization and economic growth for countries High GDP per capita**

Country	The correlation coefficient
New Zealand	0,84
Luxembourg	0,92
Norway	0,76
runny nose	0,89
Saudi Arabia	0,48

Source: own data base WDI (<http://databank.worldbank.org>, 15.10.2015) and <http://globalization.kof.ethz.ch> (10.15.2015).

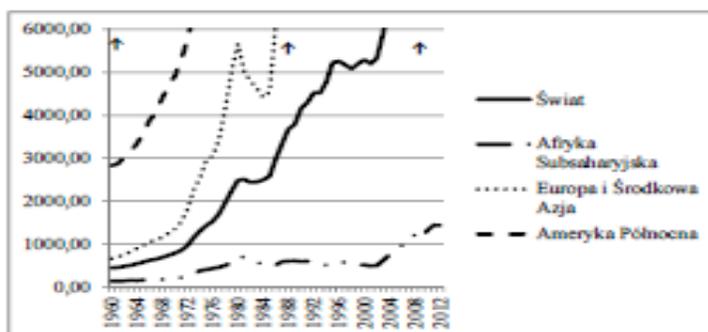
Table 2

**Correlation between globalization and economic growth for countries with low GDP per capita**

Country	The correlation coefficient
Burundi	0,14
Malawi	0,54
Democratic Republic of the Congo	-0,63
Niger	0,23
Livery	-0,03

Source: own data base WDI (<http://databank.worldbank.org>, 15.10.2015) and <http://globalization.kof.ethz.ch> (10.15.2015).

Charges that could be redirected to this research, is the fact that they do not take into account the diversity of different countries and different their participation in the globalization process. We can generally say that globalization has a positive effect on economic growth and development in the world. However, it does not assume that this process will also positively affect economic growth in the United States, for example. In Somalia<sup>11</sup>. Using the data on which it was based, creating Figure 3<sup>12</sup>, examined how globalization (KOF index) affects the economic growth (GDP per capita) in the richest and poorest countries. The resulting correlation coefficients are given in Tables 1 and 2.



Source: own data base in (<http://databank.worldbank.org>, 15/10/2015).

**Figure 6. GDP per capita (US dollars) in the period 1960–2012**

<sup>11</sup> Look: Bąkiewicz, Żuławska (2010), s. 106–109.

<sup>12</sup> Yers 1970-2010.

Based on data from Tables 1 and 2 can be stated that generally the higher the level of development of the country and the higher GDP per capita, the stronger economic growth is correlated with the process of globalization<sup>13</sup>. For poor countries with low GDP per capita, a positive correlation between the two variables is very poor. It also happens that it accepts the negative, which would indicate even the negative impact of globalization on economic growth in underdeveloped countries.

Chart 6 shows the development of the average per capita GDP in the years 1960–2012 in the world, in North America, Europe and Central Asia and sub-Saharan Africa. These data show how small (in absolute terms) economic growth achieved in the poorest region of Africa in relation to other areas of the world. All the separate regions of the world experienced in the years 1960–2012 undoubted growth in terms of GDP per capita. It is impossible to deny the positive impact of globalization on economic growth in the world. However, you should pay attention to the value and proportion of this growth. Table 3 shows the GDP per capita for 1960, 2001 and 2012, and the increase in the proportion determined for each region for the years 1960–2012 and 2001–2012.

Table 3

**GDP per capita in 1960, 2001 and 2012**

Region	1960	2001	2012	2012/1960	2012/2001
<b>World</b>	446	5288	10318	23,1	1,9
<b>Africa</b>	130	483	1647	12,7	3,4
<b>Europe and Central Asia</b>	660	11246	23848	36,1	2,1
<b>North America</b>	2828	35887	51700	18,3	1,4

Source: own data base in (<http://databank.worldbank.org>, 15/10/2015).

This example shows that the countries and regions lagging behind in recent decades experienced a growth in revenue attributable to one person, but it is clear that in developed regions growth was much higher. Impressive are also not absolute values of economic growth in backward areas. In 1960, GDP per capita in Africa

Sub-Saharan stood at 29,2% of global GDP per capita. In 2001 it fell to 9,1%, and in 2012 increased, but only up to approx. 16,0%. In relation to GDP per capita in North America the product of one person accounted for in subsequent years, 4,6%, 1,3% and 3,2%. It should be noted that the first decade of the twenty-first century is a period of significant acceleration in GDP growth per capita in sub-Saharan Africa compared to the more developed regions of the world. In the years 2001–2012 the GDP in the area soared 3,4 times, while in South America only 1,4 times in Europe and Central Asia 2,1 times and 1,9 times in the world. This demonstrates the significant intensification of the processes of growth and development in the region of sub-Saharan Africa and some moderation in

<sup>13</sup> However, there are countries characterized by a high level of GDP, while low globalized as such. Saudi Arabia. Such countries are, however, exceptions.

economic growth in the developed parts of the world. Developmental differences between countries and regions, however, still remain at a very high level, despite the rate observed “growth” in underdeveloped countries. This increase because, although in recent years a very intense, refers to a relatively low absolute values of GDP and GDP per capita.

### Summary

Using the tools available today, it is difficult to accurately and comprehensively identify the impact of globalization on economic growth and development in the world. Simplifying assumptions and initial claims are inevitable. Logic and past experience, it would be difficult to think of globalization as a process adversely affecting the growth and global economic development. Note, however, that the countries of the world, as well as their participation in the globalization process, are varied. So do not rule out that strong economic growth, idącemu hand in hand with globalization in some countries, accompanied by a decline in economic activity and backwardness in other countries.

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Глобалізаційні процеси, що відбуваються останнім часом, здійснюють зростаючий вплив на національні економіки окремих країн. Темпи приросту світового продукту завжди суттєво корелювали зі зростанням національних економік, особливо в економічно сильних країнах.

У статті проаналізовано проблему кореляції між рівнем глобалізації, зростанням та розвитком у світі, що продемонструвало позитивні та негативні аспекти цього феномену у відношенні до глобалізації. Особливу увагу приділено проблемі нерівномірності розвитку у світі та його зв'язку з глобалізацією.

Зроблені спроби пояснити витрати та вигоди від зростаючої глобалізації та колонізації. Це також показало вплив глобалізації як на економіку країн світу, так і на економічне зростання та розвиток. Окремі показники розглянуті в динаміці за тривалий час, що дозволяє ширше поглянути на цю проблему.

**Ключові слова:** *глобалізація, економічний розвиток, економічне зростання.*

Происходящие в последние годы глобализационные процессы оказывают возрастающее воздействие на национальные экономики отдельных стран. Темпы прироста мирового продукта всегда существенно коррелировали с ростом национальных экономик, особенно тех стран, которые были экономически сильными.

В этой статье проанализирована проблема корреляции между уровнем глобализации, ростом и развитием в мире, что продемонстрировало позитивные и негативные аспекты этого феномена в отношении глобализации. Особое внимание уделено проблеме неравномерности развития в мире и его связи с глобализацией.

Сделаны попытки объяснить издержки и выгоды от возросшей глобализации и колонизации. Это также показало воздействие глобализации как на экономику стран мира, так и на экономический рост и развитие. Отдельные показатели рассмотрены в динамике за длительное время, что позволяет более широко взглянуть на эту проблему.

**Ключевые слова:** *глобализация, экономическое развитие, экономический рост.*

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