

The Impact of Globalization On Economic Development

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Abstract

This quantitative study looks at the impact of political globalization on economic development as specified in modernization theory. The effects of foreign direct investment (FDI), economic growth, government intervention, and the type of economic system are evaluated for fifty-four African countries in the year 2014. Linear regression results showed that FDI flows impacted economic development positively. African countries need to focus on generating a healthy investment climate in order to draw in multinational corporation FDI flows and acquire the capital to experience modernization theory. States must create policies that grant multinational corporations majority ownership and minimize restrictions that inhibit their ability to conduct business. Future research may examine multiple years in order to ascertain a more holistic view of economic growth as well as take into consideration the investment climate of specific African states.

Introduction

Globalization stems from liberal ideology, especially in regard to Immanuel Kant's Kantian Triangle. The three major characteristics of liberalism include democracy, economic interdependence, and international law. The growth of global trade, as well as industrialization based in Europe and North America established an underpinning for the liberal view. With a newly adopted emphasis on economic alliance as opposed to devastating warfare, historians commonly refer to this as the first era of globalization (Shiraev & Zubok, 2016, p. 81).

The concept of globalization has become more impactful in today's society as interdependence has made strides towards dissolving state borders (Mihail, Nikolaj, Aleksandr, & Sergej, 2014, p. 1752). This idea has developed and played into the theories of modernization, world systems, and dependency theory (Eisenstadt, 1966, p.16). It is important to understand the reasoning behind globalization and why it became so relevant. With the innovations made to communication, technology, and transportation over the years, the barriers between states have become increasingly permeable. The increased flow of information from one country to another is said to have led to a widespread growth of culture and development (Adolf, 2011, p. 604).

Globalization has opened the door for new opportunities economically by reducing trade barriers such as tariffs and other means, thus allowing for more interdependence (Andreas, 2011, pp. 404-405). Along with this interdependence has come the passage of new ideas and the spread of new technological advancements in order to further improve economies (Mavrodin, 2015, p. 724). Globalization has the potential to lead to improved trade gains within a state, and this results in more money put into the economy for spending and increased incomes (Jones, 2014, p. 13).

Globalization has been seen by scholars as both a positive and negative result of the improvements that have been made to technology, communication, and transportation. With the breaking down of borders, states are able to become more interconnected which promotes a sense of community among countries (Andreas, 2011, p. 8). However, this same idea can lead to powerful states taking advantage of other underdeveloped countries and abusing the opportunities for cheap labor and raw material. The contradictory findings drive this study to examine economic development and how it may be impacted by various aspects of globalization (Robinson, 2014, p.710).

African countries were not a primary focus of globalization in the 1970s through the 90s. Investors and entrepreneurs did not see these countries as attractive for private capital. The destination was not viewed as a legitimate investment option and therefore largely ignored (Chiemeké, 2012, p. 174). However, the years 2000 to 2012 have seen a growth in private capital flows into Africa. These private capital flows have not been limited to the industries of oil and mining, as there has also been growth in private equity and some more flexible classes of assets (Rakotondrazaka & Sy, 2015, pp. 3-4). Trade has truly sparked Africa's role in the international market system and has given certain African countries better opportunities. A number of countries are becoming "emerging markets" in the world and are seeing astronomical growth and development, thus making their economies more competitive (Ninsin, 2012, p. 5). Unfortunately, this is not the case for all African countries as some still endure the struggle to keep humanitarian issues and/or corruption to a minimum. In this sense, globalization is not hurting or affecting them directly, but it is simply passing them by along with the neighboring countries that are taking advantage of this opportunity of interdependence (Robinson, 2014, p. 712).

The structure of this paper will first further explore the concept of globalization and its relation to economic development via past research. Following this is a comprehensive explanation of the research process, format, and methodology. Attention will then turn toward the research findings and discussion. Conclusions will then be made with further discussion regarding implications and limitations of the study. This study explores the impact that globalization has on the economic development of African countries.

Theoretical Overview

Scholars have formulated and contributed multiple theories that can connect to the highly debated topic of globalization. According to the literature, there have been both positive and negative outlooks on the effects of interdependence. World Systems Theory, constructed by Immanuel Wallerstein, stems from a Marxist concept of hegemony and portrays globalization in a negative light. Wallerstein asserted that there were three levels of hierarchy: the core, periphery, and semi-periphery. In this relationship, the core countries were dominant capitalists that used peripheral states solely for cheap labor and raw material (Wallerstein, 1974, pp. 400-402). The essence of World Systems Theory claims that a handful of industrial states maintain a clear advantage in the international system, while other states lag behind. Core and periphery states do not share the same values, for core states look to maintain a modernizing and prosperous economic system while suppressing complications created by periphery states. This interdependence was rather one-sided and lead to an economic disparity between the core and peripheral states (Shiraev & Zubok, 2016, p. 123). A study was conducted by Ronan Van Rossem to examine World Systems Theory as a general form of development and incorporated 163 countries that focused on three central constructs: world systems role, dependency, and development. The results showed a dominating group of core states was distinguished by

primarily GDP and periphery states relied heavily on the core for trade as well as military and diplomatic ties but did not see much economic development (Rossem, 1996, pp. 513-518).

The ideology of dependency theory also stems from globalization with regard to the use of goods and services outside of a state's border (Smith, 1981). The roots of dependency theory are based on the research completed by Raúl Prebisch and Hans Singer, Argentine and German economists, respectively (Shiraev & Zubok, 2016, p. 237). It also holds a more pessimistic outlook on globalization in that peripheral states provide cheap labor and raw materials for core states. In these conditions, core states greatly benefit from advances in technology and peripheral states fall further behind. Free trade prohibits underdeveloped, peripheral states from gaining ground on the core countries in regard to economic development (Docquier & Rapoport, 2012, p. 683). In this sense, there is once again a lot more "take" than "give" and this leads to economic disparity for the peripheral countries. Resource flows (i.e., globalization) unfairly advantage developed states at the expense of the underdeveloped ones, especially as the economies of underdeveloped states begin to rely on exporting certain desirable materials and become susceptible to economic shocks (Docquier & Rapoport, 2012, p. 684; Smith, 1981, p. 759).

Modernization is a precursor to the theory of globalization and has led to the transition from traditional to modern (i.e., western) societies. Theorists in this field measure development mainly by looking at economic output per capita. Eisenstadt (1966) plainly describes the process that modernization has gone through over the years when he asserts the following:

Historically, modernization is the process of change towards those types of social, economic, and political systems that have developed in Western Europe and North America from the seventeenth century to the nineteenth and have then spread to other

European countries and in the nineteenth and twentieth centuries to the South American, Asian, and African continents. (p. 34)

Major attention has been geared towards the different ways that states have developed as a result of the many innovations in technology, communication, and transportation. Industrialization is a narrower term of modernization that focuses on the mechanical and technological means of production, which result in increases in wage labor, occupational diversity, manufacturing, and income levels (Mihail, Nikolaj, Aleksandr, & Sergej, 2014, p. 1753). These two theories are complementary, but they do not need to be as either can stand on its own. The literature on modernization theory has adopted a more optimistic outlook in regard to its effects on the international system. Scholars have placed an emphasis on economic development as a driving factor for the growth of countries, as measures of both GDP and GNP have been examined and analyzed in order to discern the amounts of growth that developing states have experienced due to various factors (Robinson, 2014, p. 722).

Modernization is the driving theory of this study and informs the hypotheses that are tested. The research question addresses the impact that globalization is having on the economic development of African countries. Unlike many globalization theories, this study looks to explore the factors associated with modernization by exploring economic and political variables.

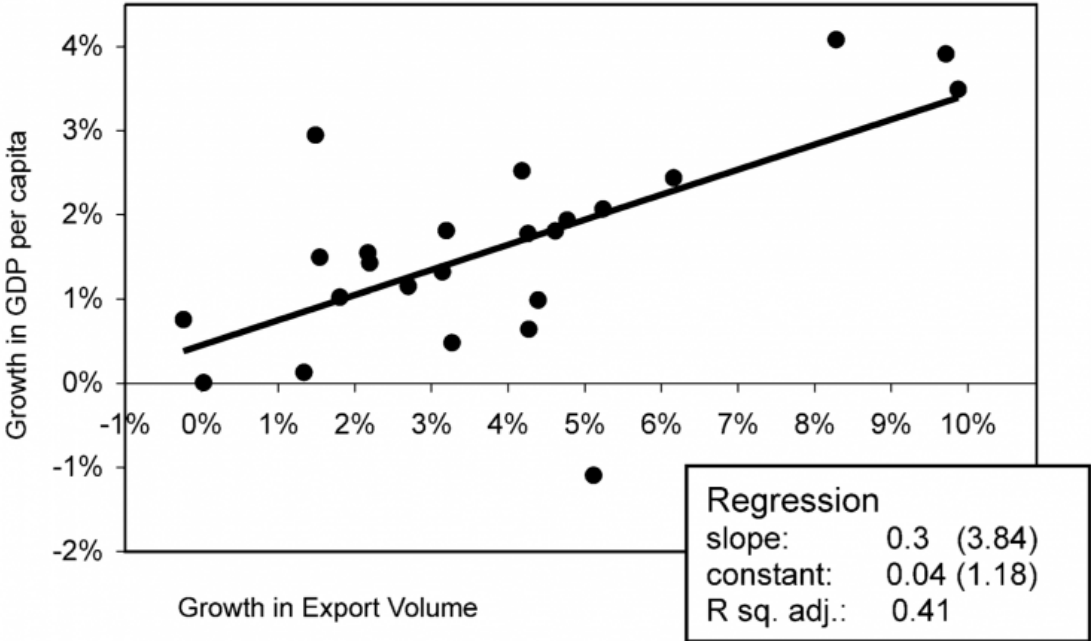
Literature Review

The concept of globalization has been a point of debate as to whether it existed as far back as Christopher Columbus's discovery of the New World or whether it is a more recent development (Hopkins, 2002, p. 25). Some scholars believe that the origins of this theory can be traced to Andre Gunder Frank, a German-American economic historian, and sociologist who promoted the theory of dependency. His arguments about the origins of globalization began with

the development of trade links between the Indus Valley and Sumerian civilizations (Foreman-Peck, 1998, p. 57). No matter how the academic origins of globalization are looked at, it is a highly debated topic in regard to its effects on economic development.

There is an intricate linkage between globalization and economic development as increases in the latter are largely attributed to gains from trade. These gains raised citizen's incomes and worked to cut down the level of economic disparity. The gains from trade can be seen by looking at export earnings leading to sustainable development in East Asia and Europe over the 20th century (Jones, 2014, p. 14). Jaume Ventura (2005) conducted a study that established this same relationship between economic development and growth in exports, which can be seen in the graph below (Figure 1). Figure 1 plots annualized rate of trade growth against annualized rate of per capita GDP growth for selected world regions in specified time periods. The selected world regions consist of Western Europe, Western Offshoots, Japan, Asia (excluding Japan), Latin America, Eastern Europe and former USSR, and Africa. This figure depicts a linear display as the countries' growth in GDP per capita has a significant relationship to growth in export volume.

Figure 1: *Growth of income and trade, data pooled across regions and periods –Ventura (2005)*



Economic development is looked at as two separate factors, one being short-term while the other long-term. Development has the potential for a rapid increase and a plateau effect as development begins to level off. For this reason, both factors need to be taken into consideration. Long and short-term effects lead to the study of cyclicity in regard to economic development. Economic cycles deal with examining causes behind fluctuations in economic activity over a period of time. The researchers of cyclicity have determined that many factors can speed up or slow down economic development, but it is important to look at the short-term cause and the long-term effects (Mihail, Nikolaj, Aleksandr, & Sergej, 2014, pp. 1752-1753).

Some scholars believe that the relationship between globalization and economic development does not always exist as there are many factors to take into consideration. High levels of global integration, whether it be social, political, or economic, do not always serve as

direct predictors of sustainable economic development. An increase in the index of globalization does not guarantee a high level of innovation or a high value of resource productivity relating to a growth in GDP. Globalization opens the door for more opportunities, but it does not assure positive sustainable economic development (Mavrodin, 2015, p. 723). The growth in GDP is able to measure if an economy is experiencing growth or not and provides insight as to how well the economy is functioning. Some literature has asserted that states with more developed and growing economies are affected more positively by globalization as opposed to underdeveloped economies. Underdeveloped economies are taken advantage of and the idea of neocolonialism comes into play as well as other means of wealthier nations experiencing more benefit than poor states (Rodinson, 2014, pp. 715-716).

The rapid growth of economies has led to economic disparity and has resulted in the development of globalization, but there is a factor that plays an important role in determining which countries benefit more, economically speaking. This factor is government ideology, and it works to allow some countries to see the benefits of globalization, while others do not allow opportunities for interdependence (Ha, 2012, p. 541). Countries with leftist government parties can avoid economic inequality as their progressive views allow them to open their borders and allow interconnected markets to take place. However, this does depend on the country as such actions also lead to multinational corporations taking advantage of open borders without government intervention. For this reason, government ideology will continue to determine globalization's impact on economic development (Ha, 2012, p. 541).

The type of economic system has also been looked at as a factor that can help globalization have an impact on economic development. Nissanke and Stein (2003) examined the relationship between financial liberalization and the development of economies in developing

countries. They assert that developing countries often institute policies of deregulation and promote capitalism within their economy in order to see development through international capital flows. Financial liberalization promotes attractive pull conditions for international investors and results in more capital (Nissanke & Stein, 2003, pp. 290-291). It seems more apparent that there is a much stronger relationship between push factors driven by the interests of international investors than solely economic freedom. The needs of these international investors have been met by the local governments and more economic development can be seen in regard to this phenomenon. This phenomenon was further explored by Matallah Siham, Ghazi Nouria, and Bounoua Chaib (2015) as they examined the impact of the triptych – economic freedom, financial development, and FDI – on economic growth in 12 MENA countries (Algeria, Bahrain, Egypt, Iran, Jordan, Kuwait, Morocco, Saudi Arabia, Syria, Tunisia, Turkey, and Yemen) from 1995 until 2012. Their results showed that economic freedom contributes positively and significantly to economic growth because economic freedom promotes competition, allocating resources to the most efficient use. The study also showed significant results for a positive relationship between economic freedom and development as a result of FDI flows as countries were more willing to allow and benefit from them (Matallah, Ghazi, & Bounoua, 2015, pp. 50-51). Economic freedom allows more openness and fosters competition, but it does not always lead to economic development without the presence of other driving factors (Nissanke and Stein, 2003, p. 292).

Freedom within an economy opens up doors for other factors of globalization to occur such as FDI flows (Adolf, 2011, p. 570). There lies an enormous amount of empirical studies that link FDI with economic development, and this intricate link has been studied for both developing and developed countries. Higher returns on capital, openness to trade, and infrastructure

development have been pull factors for FDI flows to take place. These factors have been determined by other scholars to be driving factors that lead to FDI flows in other countries. However, these three factors do not seem to be relevant to Africa (Wang, Hong, Kafouros, and Wright, 2012, p. 656).

Some studies have found that factors attracting FDI flows to African states are different from driving factors in other regions (Seyoum, Wu, and Lin, 2015, p. 46). It is also claimed that the nature of the causal relationship between economic growth and FDI flows differs among African countries. After 2010, Western Africa has been the biggest recipient of FDI flows and a close follower is the Eastern African sub-region. On the other hand, the Western Africa sub-region has experienced a sharp decline. Hydrocarbon or mineral-rich countries have encountered much larger percentages of FDI flows than those who lack in resources. Hence, there lacks a common driving factor of FDI flows for African countries (Seyoum, Wu, and Lin, 2015, p. 47).

Africa was exposed to the effects of globalization from an early standpoint, but the effects were negative at first during pre-independence and pre-colonial periods (Chiemeké, 2012, pp. 175-176). These negative implications – slavery and economic disparity – of globalization stemmed from the need for cheap labor and raw materials in which Africa was the perfect source (Chiemeké, 2012, p. 169; Ninsin, 2012, p. 9). Providing material and cheap labor for other states left African countries repressed and in poverty in alignment with the argument of dependency theory (Mavrodin, 2015, p. 723). The marginalization of countries continues to produce economic disparities between undeveloped states and states that are technologically advanced. This concept has been a clear problem of globalization in terms of the gap between economically developed and underdeveloped countries. Continuing down the road of economic disparity and inequality, scholars believe that developed states will abuse globalization to the point where it

becomes an act of neocolonialism (Taylor, 2012, p. 3; Ninsin, 2012, p. 9). However, there are also positive effects that have begun to emerge in Africa as interdependence between states has become more and more apparent.

Methodology

It is important to acknowledge that changes were made to the model in regard to what independent variables were used in the study. This section will discuss the original plan, and then a section at the end will be dedicated to what alterations were made and why this was necessary.

The main objective of this research study is to examine the impact that globalization has on economic development for 54 African countries. After looking into the components that play a contributing role in globalization, the factors of FDI, government intervention, type of economic system, and economic growth were chosen for examination as the independent variables in the model.

Independent variables: Actual flows function as a measurement of foreign direct investment (FDI), which is a form of cross-border investment where a resident company of one state has great influence or control over an enterprise that is stationed in another state. Actual flows were taken from the KOF Swiss Economic Institute's Index of Globalization. These flows were measured in US millions and are the value of cross-border transactions in relation to direct investment over a given period of time, which usually amount to one year. Both outward and inward flows exist. According to the World Bank, an outward flow deals with transactions that increase a reporting financier's investment into an enterprise that is located in a foreign economy. Such investments include the reinvestment of earnings, purchases of equity, or anything else that increases an investor's spending on the enterprise. In opposition, inward flows represent the investment of funds into the resident enterprise by the foreign investor. In this case,

money is not spent across borders as the investor is already living in the country in which the business is located. FDI flows play a role in globalization as money is put towards the business and can be taken into account for the state's GDP. A higher amount of investment in an economy that possesses businesses from foreign investors could potentially help with that economy's development.

Government intervention is determined by political globalization which can be retrieved from the KOF Swiss Economic Institute's Index of Globalization. Political globalization refers to increasing complexity and size of the state's political system. This includes the government, nongovernment organizations, and intergovernmental organizations in their movement towards becoming more multilateral. For this study, the focus is placed on the government as it represents the level of domestic intervention on the global market. Numbers in this dataset determine how politically globalized a state is. The higher the number, the more politically globalized a country is and vice versa. The level of political globalization could have an impact on how much influence governments have on globalization's potential impact on economic development, which is why the factor was chosen to represent a measurement of government intervention. With a number that is higher in range, a state's government would be more willing to accept ideas and trade from other countries as well as be more open to interdependence.

The type of economic system for each country can be found at The Fraser Institute for Economic Freedom which ranks each country from zero (less free) to ten (more free). A capitalist economy embraces the individuality of business and is based on private ownership in regard to both profit and production. A socialist economy differs greatly from a capitalist approach in the idea that socialism refers to the public ownership of the means of production. Therefore, all of the materials used to create a product are publically owned. More freedom in

the economy creates the potential for greater globalization and subsequent growth and development.

Economic growth is measured by the percentage of increase of gross domestic product (GDP) from one year (base year) to another. The growth of GDP shows an increase in the monetary measure of the market value of all goods and services produced by a certain country in a given year. This data was collected from the World Bank World Development Indicators and is used to measure the change in GDP over the course of one year. GDP growth is a major factor when deciding whether or not an economic system is developing. The greater measure of market value that a country shows for its products, the more growth and development the economy is undergoing. The percentage provides an idea of how the economy is functioning, and if it is developing or simply maintaining a homeostatic level of production. A spike in the growth of GDP would imply that a country's production value is drastically increasing and globalization could be having an impact on this economic development. The higher the growth, the better the status of the economy. This emphasizes an important factor as some economies have different starting points when globalization reaches them. Also, those that possess weaker economies have the risk of being taken advantage of (Robinson, 2014, p. 715). Looking at a year's percentage growth of GDP can help determine if there are any ties to globalization and its impact on economic development.

Dependent variable: Economic development is measured by GDPPC in US dollars, and is gathered from the World Bank World Development Indicators. GDPPC is the total output of a country, or gross domestic product, divided by the total population of that country. This measure shows relative performance between countries based on the output and the total number of

people, which allows for a better understanding of the economy and its development. Higher GDPPC values are equated with a higher standard of living.

This study utilizes the SPSS program to generate correlation and regression results in order to determine if there is both a correlation and a causal relationship between the levels of economic development and the independent variables of FDI flows, government intervention, type of economic system, and levels of economic growth. The base year chosen for this study is 2014. This strategy was implemented in order to maintain a standard outlook of all of the variables and see if they played a part in the potential impact that globalization has on economic development. The dependent variable in this study was transformed using a natural logarithm in order to lessen the skewness of the data.

This analysis explores the relationships between variables as mentioned in multiple hypotheses. Below are the four research hypotheses, and their corresponding null hypotheses, that are being examined in this study:

1. There is a direct relationship between external capital and economic development.
 - a) *Null hypothesis: There is no relationship between foreign direct investment and economic development.*
2. There is a direct relationship between government intervention and economic development.
 - a) *Null hypothesis: There is no relationship between government intervention and economic development.*
3. There is a direct relationship between type of economic system and economic development.

a) *Null hypothesis: There is no relationship between type of economic system and economic development.*

4. There is a direct relationship between economic growth and economic development.

a) *Null hypothesis: There is no relationship between economic growth and economic development.*

If the analysis fails to show evidence that the null hypothesis is valid, then the data will show support for a cause and effect relationship between the dependent variable of economic development and the independent variables of FDI, government intervention, type of economic system, and the economic growth.

Data Analysis

The initial regression made apparent that three of the independent variables had no correlation with the dependent variable and were dragging down the significance of the model. For this reason, it was necessary to take out economic growth and type of economic system. Government intervention was kept because it was the main variable in this study, and FDI remained because it showed significant correlation with the dependent variable of GDPPC.

The data analysis was facilitated by using the IBM SPSS 24 program. Descriptive statistics were first ascertained to determine if the data were normally distributed or skewed. Economic development data was highly skewed and subsequently transformed by using the natural log transformation function (see tables 4 and 5). The next step in the analysis was to check for non-linear relationships. Scatter plot graphs showed no patterns of non-linearity.

After determining the linearity of relationships between the independent variables and dependent variables, it was necessary to look for potential collinearity between independent

variables. There were multiple ways to accomplish this task with one being to generate scatter plots. By examining two variables at a time through a scatter plot, it was clear that no independent variables had a linear relationship. This could also be done by simply looking at the correlation matrix created in the following step.

Once the data was deemed acceptable, given it was evenly distributed, non-linear relationships were absent from the analysis, and there was no presence of collinearity, the next task was to create a Pearson correlation analysis matrix. This matrix looked at each variable from the study and computed the correlation between each possible pair. The results generated are below (table 1):

Table 1: Pearson Correlation Analysis Matrix

		Correlations				
		FDIFlow	Growth GDP	PolGlobalization	TypeofEcon	transform gdppc
FDIFlow	Pearson Correlation	1	-.149	-.261	.029	.353*
	Sig. (2-tailed)		.318	.074	.852	.015
	N	48	47	48	43	47
GrowthGDP	Pearson Correlation	-.149	1	.159	-.147	-.222
	Sig. (2-tailed)	.318		.287	.347	.118
	N	47	51	47	43	51
PolGlobalization	Pearson Correlation	-.261	.159	1	-.072	-.071
	Sig. (2-tailed)	.074	.287		.641	.633
	N	48	47	49	44	48
TypeofEcon	Pearson Correlation	.029	-.147	-.072	1	.154
	Sig. (2-tailed)	.852	.347	.641		.318
	N	43	43	44	45	44
transformgdppc	Pearson Correlation	.353*	-.222	-.071	.154	1
	Sig. (2-tailed)	.015	.118	.633	.318	
	N	47	51	48	44	52

*. Correlation is significant at the 0.05 level (2-tailed).

Once the correlations were determined, a regression analysis was run in order to ascertain the impact that the independent variables had on explaining different levels of economic development. The first step in the regression analysis was the construction of a coefficients table, and this showed that the independent variable's variance inflation factors (VIFs) were all below 4.0 and that the majority variation of any two independent variables did not share the same factor (dimension). The collinearity diagnostics confirmed that no independent variable – government intervention, FDI, type of economic system, or economic growth – shared a dimension in which they were both high. This was not surprising given that collinearity was looked for when using scatterplots to analyze the linear relationships between the independent variables. However, the model was weak and the independent variables of economic growth and type of economic system were removed for lack of correlation between the dependent variable and the regression was run a second time. The table below illustrates the three changes that were made to the model in regard to what variables were removed.

Table 2: Models and Included Independent Variables

	<u>Model 1</u>	<u>Model 2</u>	<u>Model 3</u>
Government Intervention	X	X	X
FDI	X	X	X
Economic Growth	X	X	–
Type of Economic System	X	–	–

Results

The first model included FDI, economic growth, government intervention, and type of economic system and their relationship with the dependent variable of economic development. The adjusted R-square was 0.039, indicating that the model accounted for 3.9% of the variation in the dependent variable. The F-score was 1.411 and the significance of the model was only .249, so the analysis was far from significant (75.1% confidence interval). The lack of significance was not a surprise as this was apparent in the correlation analysis. For this reason, economic growth and type of economic system were removed as independent variables because they added no value to the study. Government intervention was negatively related to economic development but insignificant. Given its role in the research question, it was deemed necessary to remain in the model.

A second model was run incorporating the two independent variables of government intervention and FDI. The adjusted R-square value for the model was higher at .087, which indicates that the model summary explains 8.7% of the variation in the dependent variable. The model is nearly significant with an F-score of 3.192 and a significance of 0.051, leading to a 94.9% confidence interval.

The correlation analysis disclosed a nearly significant relationship between FDI and economic development. On the other hand, government intervention and economic development remained insignificant in correlation. The VIF scores for the independent variables both came in at 1.062, which means that there was minimal collinearity between them. The significance of FDI with economic development was 0.024 – 97.6% confidence interval, and it had a *t* score of 2.345 which falls within the desired levels as well. Government intervention was the polar

opposite as its significance with economic development was a mere 0.732 and its *t* score was -0.344. The table below depicts both models and their aforementioned statistics

Table 3: Models and Respective Statistics

	<u>Model 1</u>	<u>Model 2</u>
	Adjusted R Square = .039 F-Score = 1.411 Significance of Model = .249 Sample = 42	Adjusted R Square = .087 F-Score = 3.192 Significance of Model = .051 Sample = 47
Government Intervention	t score = -.527 Significance = .601	t score = -.344 Significance = .732
FDI	t score = 1.661 Significance = .105	t score = 2.345 Significance = .024
Economic Growth	t score = -.511 Significance = .613	–
Type of Economic System	t score = .726 Significance = .472	–

Discussion

The purpose of this study was to examine the impact of globalization on economic development in African countries. The data indicate that FDI is significantly related to economic development. However, there is no linkage between the other variables – government intervention, economic growth, and type of economic system. Therefore, the results failed to reject three out of the fourth null hypotheses, which suggests that government intervention,

economic growth, and type of economic system have no significant relationship with economic development.

There is a significant relationship between FDI and economic development according to the model. The effects of FDI on economic development has been a topic of inquiry for many scholars. Much of the literature in this area agreed with the findings from this study in regard to the relationship that exists between economic development and FDI. The results rejected the null hypothesis, thus it is likely that FDI has a direct significant relationship with economic development.

It was interesting to see how little correlation was found between government intervention and economic development. This was surprising, as some scholars believe there to be a significant relationship between the two (Ha, 2012). Perhaps it is the case that a variable like this would take the course of a few years in order to truly see its impact. It is also probable that the measurement of political globalization was not the best representation of government intervention, as it focused a lot on international organizations and little on domestic relations between governments and multinational corporations. It may have been beneficial to examine the government on a domestic level by looking at the turnover of political officials or incumbency as the change in officials can subsequently lead to alterations in policy and vice versa. It may also be interesting to look into judicial respect for human rights as this can play into government intervention. Globalization in Africa is an up and coming concept and perhaps it needs to be measured in a more recent and lengthy fashion. It would be interesting for a further study to incorporate a span of three or four years in order to obtain a more holistic perspective of the relationship between government intervention and economic development.

The model also did not show type of economic system to have any significant relationship with economic development. Scholars have delved into the relationship between economic freedom, FDI, and development, finding a significant relationship (Matallah, Ghazi, & Bounoua, 2015). However, the model did not agree with much of the literature in that it did not show evidence of a relationship between type of economic system and economic development. With the initial regression model only predicting 3.9% of the dependent variable's variation, it could be the case that economic freedom opened up opportunities for a potential domestic driving force or perhaps a pull factor for foreign investment that was not accounted for in this study. A further study may need to go more in-depth in order to discover a possible driving factor at the domestic level that impacts economic development through a type of economic system in which promotes foreign investment.

Economic growth was also shown by the model to have no significant relationship with economic development. There was not much scholarly literature in this area other than a handful of studies that dealt with both developed and undeveloped countries in their measurement of globalization's impact. With only measuring one year of growth, it may have been too limited of a time period to see much of a trend that speaks to the economic status. This independent variable would need more time to develop as opposed to simply looking at one year's growth percentage in GDP which could be affected by many factors in that given time frame. It would be advantageous to examine this variable over the course of multiple years in order to better determine the actual relationship.

The final model incorporating government intervention and FDI predicted 8.7% of the variation in the dependent variable, which leaves a large portion left to be explained. A further study might look into infrastructure or gross domestic income (GDI) and other domestic factors

within the African countries in order to detect a relationship with economic development.

Infrastructure and willingness to trade were two prominent factors in regard to obtaining FDI, which was significantly correlated with economic development (Wang, Hong, Kafouros, and Wright, 2012, p. 656). With further research dedicated to each of those, there may be potential for a model that better explains the difference in levels of development. Another avenue would be to take into account investor's wants and needs for their company by looking at certain resources and geographical advantages that countries may or may not possess and see if these could influence economic development. This idea stems from dependency theory as investors look for ideal conditions for their companies to prosper and resources to flow in their direction (Smith, 1981, p. 755; Chiemeké, 2012, p. 174).

Conclusion

The results of this study provide evidence to suggest that FDI has an impact on economic development. The analysis also shows that the independent variables – government intervention, economic growth, and type of economic system – have no significant connection with economic development. This model failed to provide any support to believe that government intervention has an impact on economic development, which was the original hypothesis.

As the world becomes more interdependent and globalized, businesses continue to outsource and look elsewhere for their companies to achieve cheap labor, diverse products, and competitive prices (Taylor, 2012, p. 4). Africa contains many of these opportunities that catch the eyes of investors and entrepreneurs, acting as pull factors for foreign investment. However, corruption and underdeveloped governments continue to make it hard for businesses to get what they want out of certain states (Taylor, 2012, p. 5). African countries rank among the highest for perceived corruption, while weak nationalism is also heavily blamed for economic

underdevelopment and this makes it hard for businesses and governments to operate (Taylor, 2012, pp. 4-5). Domestic factors such as these would be interesting to include as variables for future research that may examine multiple years in order to ascertain a more holistic view of economic growth as well as take into consideration the investment climate of specific African states.

With companies realizing the need and advantages of becoming globalized, it is approaching the point of necessity in order to remain competitive. If Africa can work to create a healthier investment climate through focusing on domestic concerns, then they can acquire more capital through FDI flows in order to develop (Wang, Hong, Kafouros, and Wright, 2012, p. 46). It is also in their best interest to grant multinational corporations majority ownership, which generates a stronger incentive for foreign investment in that region. This is an opportunity for Africa to develop in the global market as it is becoming a new haven for businesses operations (Taylor, 2012, p. 6). The next decade will likely decide if Africa benefits from globalization or if it falls victim.

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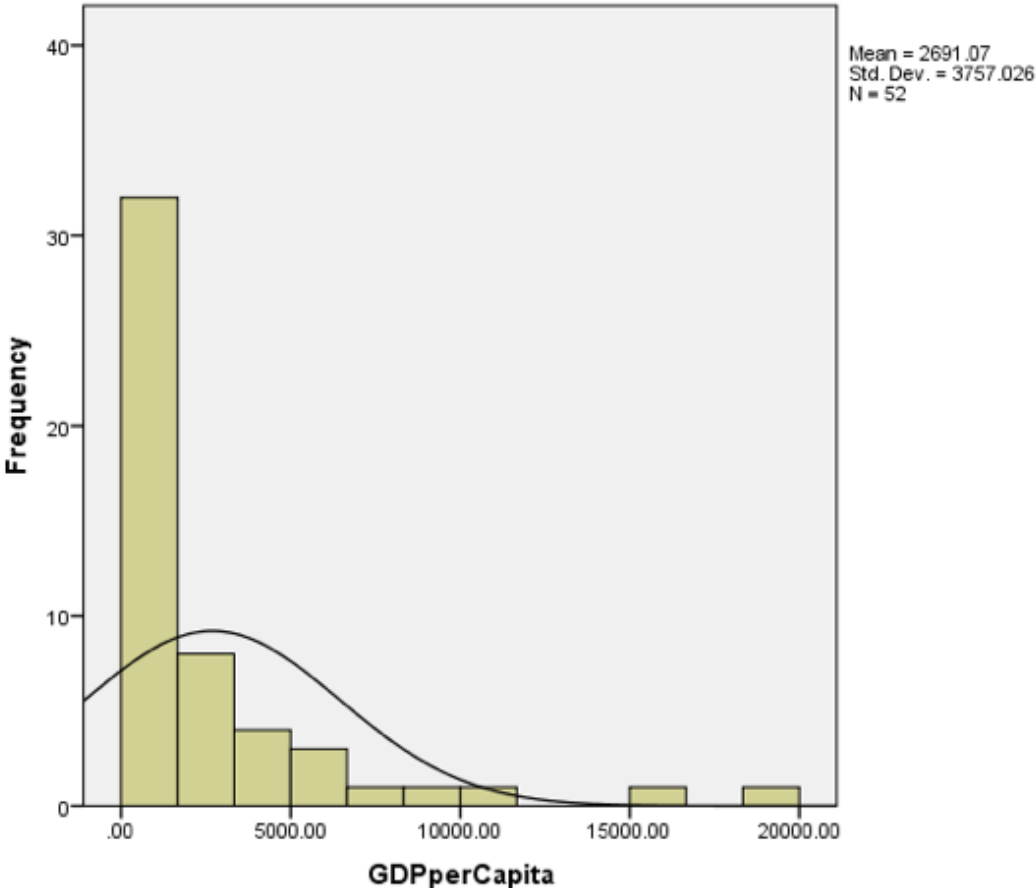
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Appendix A: Statistical Graphs and Tables

Table 4: Descriptive Statistics

		Statistics					
		FDIFlow	Growth GDP	PolGlobalization	TypeofEcon	GDPPC	transform gdppc
N	Valid	48	51	49	45	52	52
	Missing	6	3	5	9	2	2
Mean		58.6948	4.3275	65.7606	6.1911	2691.0654	7.2809
Median		59.0000	4.3000	66.9900	6.0200	1163.3500	7.0590
Std. Deviation		18.23107	2.4343	16.3611	.7804	3757.0255	1.0512
Skewness		.097	.180	-.479	.227	2.775	.674
Std. Error of Skewness		.343	.333	.340	.354	.330	.330

Table 5: Histogram for Skewed GDPPC Data and Transformed GDPPC



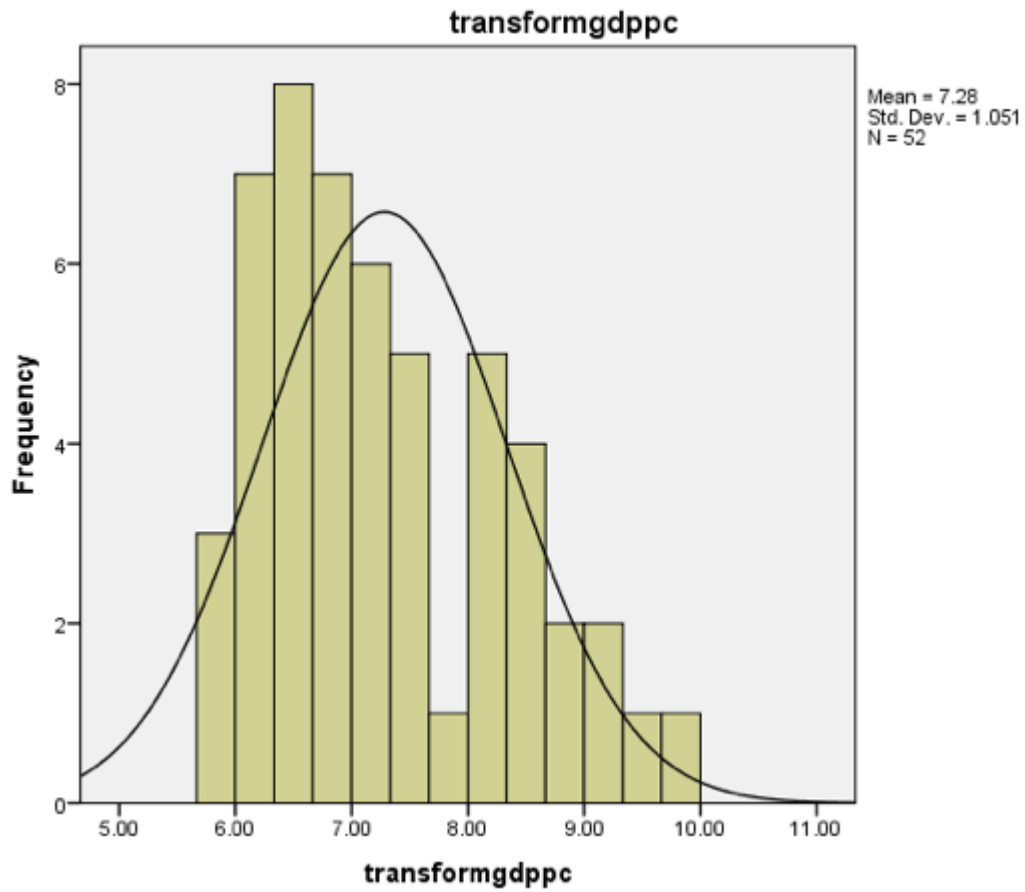


Table 6: Final Model Summary and R Scores

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.356 ^a	.127	.087	.96780

a. Predictors: (Constant), PoIGlobalization, FDIFlow

b. Dependent Variable: transformgdppc

Table 7: ANOVA Statistics

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.979	2	2.990	3.192	.051 ^b
	Residual	41.212	44	.937		
	Total	47.191	46			

a. Dependent Variable: transformgdppc

b. Predictors: (Constant), PolGlobalization, FDIFlow

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6.382	.879		7.262	.000		
	FDIFlow	.019	.008	.341	2.345	.024	.941	1.062
	PolGlobalization	-.003	.009	-.050	-.344	.732	.941	1.062

a. Dependent Variable: transformgdppc

Table 9: Collinearity Diagnostics

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				(Constant)	FDIFlow	PolGlobalization
1	1	2.896	1.000	.00	.01	.01
	2	.087	5.758	.00	.54	.23
	3	.017	13.149	.99	.45	.77

a. Dependent Variable: transformgdppc

Table 10: Residual Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	6.5901	7.9968	7.2731	.36054	47
Residual	-1.86562	1.66489	.00000	.94652	47
Std. Predicted Value	-1.894	2.007	.000	1.000	47
Std. Residual	-1.928	1.720	.000	.978	47

a. Dependent Variable: transformgdppc