To Globalize or Not to Globalize? The Effects of Economic Integration on the Domestic Political Stability of Developing Countries, 1985-1992

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Abstract - *Are countries risking dire political consequences by succumbing to the pressures of the globalization phenomenon? This study attempts to explain the effects of trade and financial liberalization in developing countries on the level of domestic political stability. Using a sample of 65 countries from the developing world from the time period of 1985-1992, this paper uses a pooled-cross-sectional time series design to explain variations in the instability across space and time. The analysis finds that trade and financial openness exhibit downward pressure on the level of political instability. The model also finds evidence that higher levels of economic development are linked to higher levels of stability. The link between economic openness and domestic stability may show the path by which developing countries may achieve the stability of their developed counterparts.*

Introduction: Globalization and the World Economy

In recent years we have witnessed an explosion in the amount of cross-national economic activity. Trade across borders has increased dramatically as national economies previously geared toward internal markets have become highly export-oriented. Similarly, financial liberalization, in the form of relaxation of capital controls and the spread of global capital markets to all corners of the world, has increased drastically in the recent past. This financial liberalization has led to a boom of investment in states that were formerly closed or neglected by the world financial system. A great deal of scholarship undertaken during this decade has devoted an enormous amount of time to the process of economic and political globalization. Moreover, the term 'globalization' has been applied to describe many phenomena, from the spread of religious and cultural values to the diffusion of technology and communication. Indeed, many social scientists have attempted to define this somewhat amorphous term.[1]

One of the central questions regarding globalization asks whether it is a benign or harmful phenomenon, and the purpose of this paper is to attempt to answer this question empirically. This paper accepts the definition of globalization to be "the degree to which nations are economically and politically incorporated into the overall international system."[2] Since my research focuses on the effects of increased levels of trade and capital mobility on the stability of developing countries, this paper will concentrate on the economic half of this definition.

Some perceive globalization as a process that is irreversible or not subject to empirical analysis. For the purpose of this study, however, globalization will be conceived of as a conscious (although not necessarily completely independent) decision by states to pursue more open economic policies. As such, it must be considered possible for a country to reverse that level of openness. This study of globalization is thus performed at the intermediate level of analysis, meaning that the nation-state (rather than transnational forces or individuals) is the unit of study. States are not considered to be unitary actors. Instead, national response to globalization may be conceived of as the interaction of policymaking decisions made by national leaders and the response of domestic actors to these policies.

A noticeable shortcoming of the recent wave of research is that it focuses almost exclusively on the modern industrialized economies. While the literature on globalization is rich in the examination of

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[1]Paul Hirst and Grahame Thompson, *Globalization in Question: The International Economy and the Possibility of Governance* (Cambridge, MA: Polity Press, 1996); James H. Mittleman, "The Dynamics of Globalization" in *Globalization: Critical Reflections*, ed. J. H. Mittleman (Boulder, CO: Lynne Rienner, 1996); and Ian Clarke, *Globalization and Fragmentation: International Relations in the Twentieth Century* (Oxford: Oxford, 1997).

[2] Wesley T. Milner, "Globalization, Economic Freedom, and Human Rights: Can We Have it All?" (paper presented at the annual meeting of the International Studies Association, Minneapolis, MN., 1999). I would like to thank the author for providing the data on capital controls and for providing the inspiration for writing this paper.

monetary unions, central bank decisions, currency arrangements, and global markets, it fails to attempt to explain these factors in non-industrialized and developing areas.

Organization for Economic Cooperation and Development (OECD) countries and the Asian "tigers" have experienced noticeable integration with the world economy, and generally these countries appear to be very similar to each other on a number of fronts: they enjoy high levels of economic prosperity; their governments tend to respect the rights of their citizens; their institutions are either highly democratic or in a relatively advanced state of transition; and (with a few exceptions) they enjoy relatively low levels of domestic unrest. Therefore, one may say that, in addition to high levels of economic integration, these countries have experienced a convergence with regard to their social and political statuses. One cannot expect to observe great degrees of variation with regard to these factors across developed countries. However, in Less Developed Countries (LDCs), both the level of economic 'globalization' as well as the domestic social, political, and economic conditions vary widely. To social scientists, who enjoy a great degree of variation in their data, the study of the effects of globalization on LDCs should be quite interesting. The great problem, however, has been that until recently there has not been enough data available to provide sophisticated analyzes of this type.

While there has been a great deal of speculation, much of it ideologically tinged, as to whether the increased acceleration of LDCs into the global economy is good or bad, there has been very little in the way of empirical analysis. The recent improvement in the quality of social, political, and economic data on these countries will hopefully change this lack of quality analysis.

As LDCs open their doors to the global economy, will they experience the same prosperous, pacific convergence experienced by developed countries? The purpose of this research is to ascertain whether increased openness of countries in the developing world to the global economy is leading to greater domestic stability. Hopefully, the greater variation in domestic social and economic conditions that is present in LDCs will provide fruitful ground for research on the effects of globalization.

A number of efforts have been produced with regard to the relationship between exposure to the global economy on the one hand and human rights[3] or income distribution[4] on the other. To this point, however, no work has focused on the link between economic openness and levels of domestic unrest.

Because this study represents a first step in the examination of the relationship between economic integration and instability, and due to the fact that it is among the few quantitative studies to focus on the effects of global integration in the developing world, it represents an innovation in the study of the phenomenon known as globalization.

Economic Globalization: A Path to Domestic Tranquillity?

Is the globalization trend benign or harmful to the healthy functioning of developing states? Many have questioned the ability of the state to maintain its autonomy as it integrates with the global economic system, especially in the areas of fiscal and monetary policy.[5] Economist Ethan Kapstein writes:

> Every age has its defining terms. In our day, one of those terms is "globalization", which conveys the widely held belief that we are living in a borderless world. Sovereign states appear incapable of controlling transnational flows of goods and services (much less flows of people), and in many places the state itself is collapsing.[6]

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[3] Katherine Barbieri and Christian Davenport, "Pacific Inducement or Terrorist Impulse: Investigating the Relationship Between Trade-Dependency and the Violation of Human Rights," (paper presented at the annual meeting of the American Political Science Association, Boston, MA., 1997); and Scott Walker and Kyung-Tae Kang, "The Effects of Global Economic Integration on Violations of Personal Integrity Rights, 1980-1992," (paper presented at the annual meeting of the Western Political Science Association, Seattle, WA., 1999).

[4] Ana-Mari Hamada, "Global Linkages: Financial Liberalization, State Structure, and Income Distribution," (paper presented at the annual meeting of the Southern Political Science Association, Atlanta, GA., 1998).

[5] Eric Helleiner, *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s* (Ithaca, NY: Cornell, 1994).

[6] Ethan Kapstein, *Governing the Global Economy: International Finance and the State* (Cambridge: Cambridge University Press, 1994), 7.

As a result of this decline in autonomy, governments may find it difficult to "maintain a domestic consensus of 'fair' income distribution when they seem to have declining room for manoeuvre because of external restraints."[7] Globalization creates new and potentially destabilizing interest group coalitions, and the state must find a way to keep the distributional effects of economic integration from leading to domestic political unrest. For instance, Frieden argues that globalization increases competition between the capital and labour sectors.[8] Additionally, in a globalized economy much of the capital that places demands on domestic institutions is controlled by outside forces. The fact that governments in LDCs may sometimes pursue policies that reflect the preferences of international capital rather than those of their own citizens may lead to discontent and unrest.[9]

Although potential threats to stability accompany increased integration into the world economy, it is possible that globalization may in fact have a pacifying effect on the domestic political situation.[10] There are at least two potential theoretical justifications to explain why the opening of an economy may lead to greater pacific relations among its peoples.

The first vein of thought comes as a natural outgrowth of liberal theory. Economic liberals have long seen trade as a force for economic as well as political growth. Trade provides positive moral benefits by harnessing the more distasteful characteristics of human nature, such as greed, and channelling them into productive ventures. Increased gains from trade may provide individuals with goods and services that were not previously available. Thus, trade will have a pacifying effect on individual citizens. With regard to increased capital outflows, it may at first seem undesirable to allow money that could potentially be invested

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[7] Vincent Cable, "The Diminished Nation-State: A Study in the Loss of Economic Power," *Daedalus: Proceedings of the American Academy of Arts and Sciences* 24:3 (1993): 22.
[8] Jeffry Frieden, "Invested Interests: The Politics of National Economic Policies in a World of Global Finance," *International Organization* 45:4 (1991): 31.
[9] Peter B. Evans, "Foreign Capital and the Third World State," in *Understanding Political Development*, eds. M. Weiner and S. Huntington (Boston: Little, Brown, 1987).
[10] Barbieri and Davenport, "Pacific Inducement," 7.

in a country to be able to leave. However, investment tends to flow into places with fewer restrictions, and the ultimate result of fewer controls on capital flight may in the long run increase investment in LDCs and thus improve the quality of life of people in those countries where controls have been relaxed. Allowing for greater capital inflows may provide badly needed investment in areas such as infrastructure and housing, and allow for creation of jobs for the growing populations in LDCs. In short, the benefits of increased global trade and investment may lead people to become more satisfied with their personal circumstances, and therefore less likely to protest or otherwise disrupt the peace. Increased gains from trade may provide individuals with goods and services that were not available to them before.

A second reason for the pacifying effect of increased economic globalization stems from the fact that important actors within the state will seek to lock in the gains of trade. Following in the footsteps of Immanuel Kant, this argument would logically hold that governments would seek to reduce tensions within their boundaries in order to ensure continued investment in their economies and to solidify the gains from trade with the rest of the world. Since unstable social and political situations tend to scare off investors, governments will work to ensure social harmony. Empirically, there is some evidence linking greater levels of economic openness to greater levels of respect for human rights by governments.[11]

This attempt to outline some of the reasons for why economic globalization may be beneficial to domestic stability is not meant to replace a more explicit process of theory building. However, these logically consistent attempts to explain one effect of economic globalization may represent the beginnings of more explicit, theoretical reasoning in this area of research.

An Empirical Analysis of the Effects of Economic Openness

How might one empirically test the hypothesis that open economies lead to greater tranquillity in the domestic arena? One possible solution is to compile a series of hypotheses regarding

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[11] Walker and Kang, “Effects of Global Economic Integration.”

determinants of political instability. This strategy, outlined by Blalock, requires the to researcher place these hypotheses into a theory-driven model that will be estimated using empirical data.[12]

The question at hand is “why do some developing countries experience higher levels of unrest than others?” Therefore, a model needs to include the “explained” or “dependent” variable, instability, as well as the globalization variables mentioned above. In addition, a host of alternative explanations for the variation in instability across countries and time are included as statistical controls.

Instability. The dependent variable, domestic instability, will be measured by event-count data that is collected from the countries included in the study in the form of Reuters News reports. These reports are coded by a computer program known as the Kansas Event Data System (KEDS) program, and then are summarised in a data set known as the Protocol for the Assessment of Nonviolent Direct Action (PANDA).

PANDA is an event count data set wherein one may aggregate events according to year, country and type. I have coded three types of events to create values for instability. These three classifications are included in the calculation of this events-based measure:

1. Communal Strife and Ethnic Conflict — events of factional and regional fighting; ethnic conflict; and civil war not otherwise specified.

2. Peace, Violence, and Terrorism — events of hostage taking and rescuing; kidnapping; massacres; extermination; death threats; killings, cease-fires; truces; dismembering; gun control; and violence not otherwise specified.

3. Political Legitimacy — events of competing claims of authority and legitimacy; anti-government movements; calls for resignation; giving up sovereignty; ceding of power;

[12] Hubert M. Blalock, Jr., *An Introduction to Social Research* (Englewood Cliffs, NJ: Prentice Hall, 1970).

revolutionary change; and rebellions not otherwise specified (the conflict or issue is over the governing system itself).[13]

PANDA codes each action that falls under these categories from a score of zero, indicating negligible physical violence, to six, which records reported deaths. All events are summed for each year. The instability score for a particular country/year ranges from 0 to 1091.

Among the potential causal variables of instability, the “globalization” variables are discussed first, followed by other variables that may explain the movement in the dependent variable.

Globalization. Two measures are operationalized that jointly capture many of the important aspects of economic globalization. The first measure is capital controls. The fewer capital controls that a country employs, the more “globalized” we may say it has become, since it has opened its economy to the vagaries of capital inflows and outflows that can be expected from greater integration into the world economy.

A second measure that can be used to represent an important aspect of the globalization process is trade openness, which is operationalized by the ratio of the sum of imports plus exports divided by gross domestic product. For reasons outlined in the last section, it is hypothesised that *the greater the level of financial openness and trade openness in a particular country, the lower the level of instability experienced by that country.*

In addition to the globalization variables, which are the independent variables of interest in this study, I include several variables to serve as statistical controls in the model.

Population Size. It is possible that the size of a country is related to the level of instability. Perhaps there are more opportunities for conflict in larger states because of the number of potential interactions among individuals and groups. In addition, a large population leads to an increase in the demands on a country’s natural resources, which in turn may lead to environmental deterioration and further reduction of

[13] Doug Bond and Joe Bond, Protocol for the Assessment of Nonviolent Direct Action (PANDA) Codebook for the P24 Data Set (1995).

available resources. This cycle of increased demand and resource depletion may lead to high levels of domestic unrest.[14] Therefore, I hypothesize *that the larger the population size of a country, the greater the level of instability*. Population data is available from the *Penn World Tables*.[15]

Population Growth. Perhaps rapid population growth can put a strain on resources, which in turn can create more demands on the state in terms of allocating these resources in a manner that satisfies all of the individuals in that society. Poe and Tate hypothesize that the state may employ terrorist measures in order to quell the increasing demands for resources, which one might argue could lead to a spiralling increase in the amount of instability in a country.[16] Thus, I hypothesize that *an increase in the rate of population growth in a country will lead to a greater level of instability*.

Economic Standing. Some theories hold that the level of economic development in a society can positively affect citizens' level of satisfaction with the ruling regime. This implies that levels of political instability may be lower in those countries where economic standing is higher.[17] In addition, numerous examples of previous research have found that the level of wealth and repression are negatively correlated.[18] Thus, I expect that *an increase in the level of economic standing will lead to a decrease in the level of political instability*. The level of economic standing is operationalized by using the Gross Domestic Product for a country. Data is available from the *Penn World Tables*.

Economic Growth. Olson theorizes that there is a relationship between economic growth and instability. Economic change has the

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[14] Conway Henderson, "Population Pressures and Political Repression," *Social Science Quarterly* 74 (1993): 322-33.

[15] Alan Heston and Robert Summers, *Penn World Tables 5.6*, 1992.

[16] Steven C. Poe and C. Neal Tate, "Repression of Human Rights to Personal Integrity in the 1980s: A Global Analysis," *American Political Science Review* 88 (1994): 857.

[17] Neil J. Mitchell and James McCormick, "Economic and Political Explanations of Human Rights Violations," *World Politics* 40 (1988): 476-98.

[18] Conway Henderson, "Conditions Affecting the Use of Political Repression," *Journal of Conflict Resolution* 35 (1991): 120-42; Mitchell and McCormick, "Economic and Political Explanations."

potential to spur civil unrest as groups find themselves adversely affected by the manner in which economic and political power are redistributed.[19] Rapid economic progress may not satisfy the even more rapidly increasing expectations of the population,[20] and may also create divisive class differences in the society.[21] Therefore, I hypothesize *that either a positive or negative change in economic growth will lead to an increase in the level of instability*. Economic growth is measured by annual percentage change in Gross Domestic Product.

Democracy. It might be hypothesized that democratic regimes are more responsive to the demands of citizens, thus eliminating the motivation for groups or individuals to challenge the authority of the regime. Poe and Tate theorize that democracy may provide an outlet for removing undesirable leaders before they become too threatening to the interests and human rights of the population, which may in turn clamp down on the level of instability in a country.[22] Dixon argues that the rules, procedures and guidelines for "bounded competition" in democratic countries will socialize citizens to recognise that disputes should be resolved through bargaining and compromise rather than by violent means.[23] Therefore, I expect *that an increase in the level of democracy will lead to a decrease in the level of instability*. Regime type is measured using an eleven-point scale known as the Polity III Democracy Scale,[24] with zero representing the lowest openness of political institutions to public participation and ten representing the highest level of institutional openness.

Military Government. It may also be the case that military governments, once established, can suppress unrest through suspension of public protests and other restrictive measures. Thus, it is hypothesized

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[19] Mancur Olson, "Rapid Economic Growth as a Destabilizing Process," *Journal of Economic History* 23 (1963): 529-552.
[20] Ted Robert Gurr, "The Political Origins of State Violence and Terror: A Theoretical Analysis," in *Government Violence and Repression: An Agenda for Research*, eds. M. Stohl and G. A. Lopez (Westport, CT: Greenwood, 1986).
[21] Henderson, "Population Pressures," 126.
[22] Poe and Tate, "Repression," 857.
[23] William Dixon, "Democracy and the Peaceful Settlement of International Conflict," *American Political Science Review* 88 (1994):15-17.
[24] Keith Jaggers and Ted Robert Gurr, *Polity III: Regime Type and Political Authority, 1800-1994*, 2d ICPSR Version (1995).

that *the presence of a military government in a country will lead to a decrease in the level of instability*. To measure this phenomenon, a variable indicating the presence or absence of a military government can be included in the data set. Data indicating the presence or absence of military governments are available from Poe and Tate.

Lagged Instability. Inertia from previous time periods can affect events in the current time period. In other words, it may be possible to explain some of the variation in the level of domestic instability in a given year merely by knowing the value of instability in the previous year. The inclusion of this 'lagged dependent variable' (so named because it uses the previous year's value of a variable as an explanatory factor for the current year's value) is also useful for technical reasons specified in the estimation section below.

A Model to Predict Variation in Instability Levels

Using the variables that have been defined above, it is possible to build a model that attempts to explain the relationship between the dependent variable (that which is to be explained) and independent variables (that which is to explain). This relationship may be explored using regression analysis, a technique that finds statistical relationships between dependent and independent variables. In other words, regression analysis is an attempt to find statistical relationships between a phenomenon that one hopes to explain and a series of possible variables that one suspects may "explain" that relationship. Regression analysis is a technique that is appropriate when the researcher is using data that includes scalar numbers.

The statistical method used to estimate this model is a pooled-cross-sectional time series analysis. This is a technique used for analyzing data sets that include both temporal (i.e., more than one year of observations) and spatial (i.e., more than one country) elements. This type of estimation method is powerful because, unlike standard regression techniques, it can capture the variations in the dependent variable across sixty-five countries and eight years, allowing the researcher to more precisely assess the relationship between the independent and dependent variables than is true with other regression techniques.

Often, time series models arrive at incorrect estimates for the effects of variables due to the presence of serial correlation, which means essentially that the time element has not been properly captured in the model.[25] In order to solve the problem of inaccurate estimates, this model has included a "lagged dependent variable", which is to say that a value in a previous time period has been included in the variable whose variance this research hopes to explain.[26] The description of the components in the model is outlined below:

INSTAB = Constant + INSTAB{-1} + POPSIZE + POPGROWTH + ECOSTANDING + ECOGROWTH + DEMOC + MILGOV + FINOPN + TRADEOPN

Where:

INSTAB = The dependent variable whose movement we hope to explain.
It is calculated by adding together a series of news events that indicate political unrest.

INSTAB{-1}= The value of the dependent variable "lagged" back on period. Included to capture the amount of variation in the dependent variable that can be attributed to the history of the dependent variable itself as opposed to other factors.

POPSIZE = Size of population in thousands.

POPGROWTH = Annual % population change.

ECOSTANDING = Gross Domestic Product in Thousands of $US.

[25] Charles Ostrom, Jr., *Time Series Analysis Regression Techniques*, 2d ed. (Thousand Oaks, CA: Sage Press, 1990), 7-26.
[26] Nathaniel Beck and Jonathan N. Katz, "What To Do (And Not To Do) With Time Series Cross-Section Data," *American Political Science Review* 89 (1995): 634-647.

ECOGROWTH = Percent change in annual population growth.

DEMOC = Score on the eleven-point Polity III Scale of Openness of Democratic Institutions.

MILGOV = Indicates presence or absence of a military government.

TRADEOPN = Trade Openness, defined as: ((Imports + Exports/GDP)*100).

FINOPN = Financial Openness, based on presence or absence of six capital controls

A Brief Discussion Regarding the Selection of Cases in the Data Set

The data that will be used to estimate the model are taken from 65 countries in the developing world. The selection of countries is based purely on data availability. Because of the nature of the particular estimation process employed here, all data needs to be present in order to include a particular country in the study. The result is that some regions are not well represented in the sample of countries. No countries from the former communist world are included, because during part of the time period of the study (1985-1992) they were still employing command economies. Likewise, countries that have undergone any type of disruptive civil or international war are not included in the sample because of incomplete data.

The eight years of the study are a good start, but unfortunately again there were barriers to collecting data for more years. The PANDA data set, which is used to calculate the instability variable, only goes back to 1984; so if one wishes to include a lag, the first year that can be included in a regression is 1985. Likewise, the data for capital controls used to measure the level of financial openness only extends to 1992 (I plan soon to expand the data set forward in time several years). Hopefully, in the future, this data set can be expanded to include many more time points and countries.

TABLE 1.

POOLED CROSS-SECTIONAL TIME SERIES ANALYSIS OF DETERMINANTS OF DOMESTIC INSTABILITY, 1985-1992

	Coefficient		Panel Corrected Std. Error
Population Size (Thousands)	0.04		0.03
Population Growth	3.28		3.67
Econ. Standing (GDP/1000 U.S. $)	7.72	**	1.81
Economic Growth (% Change)	-0.19		0.22
Democracy (Polity III)	-1.19		0.85
Military Government	-9.44		6.02
Financial Openness	-3.91	*	1.88
Trade Openness	-0.17	*	0.09
Lagged Instability	0.77		0.03
Constant	-20.57		14.42

ChiSquared (9) = 1285.59
Pr > Chi Squared = 0.000
Log Likelihood = -2580.441

N = 520
# of countries = 65
# of time periods = 8

* = coefficient is statistically significant at .05 level (one-tailed test)
** = coefficient is statistically significant at .01 level (one-tailed test)

The model's findings are consistent with the hypothesis that the more a country's economy pursues a "globalization" strategy, the more stable that country tends to be, all else being equal, a statistically significant link was found between higher levels of trade and financial openness and lower levels of instability. For trade openness, which is calculated as the sum of imports plus exports divided by total Gross Domestic Product, each one percent increase in openness leads to a decline of .17 from the mean of 42.83. Thus, for instance, a 10 percent increase in trade openness would lead to an expected decline of 1.7 from the mean, all else being equal. Possibly more dramatically, the decision by a country to remove any one of the six capital controls leads to an expected decline in the instability index of 3.91, which means a reduction in instability of over nine percent. One can clearly see that when considered together, movement toward financial and trade openness can have rather dramatic effects on the level of domestic instability, all else being equal.

A second notable finding is that inertia, or the level of instability in previous time periods, explains a very large percentage of variation in a given time period. In fact, in the sample of countries and years used for this study, 77 percent of the variation in political unrest can be predicted by the level of instability in the previous year. Thus, if one knows nothing else about the causes of instability for a country during a given year, one might get a fair "ball park" estimate merely by knowing the recent history of instability in that country.

The effects of the other purported demographic influences on domestic instability generally were statistically insignificant. The notable exception is the level of economic standing. A country's GDP is strongly positively correlated with domestic instability. In fact, a US $1000 increase in per capita GDP for a country of average economic standing leads to a remarkable 17 percent expected increase in instability, all else being equal. This finding runs counter to the hypothesis of this paper, which is that instability is likely to be higher in countries where the GDP is lower. Why the counterintuitive finding? Perhaps the finding has something to do with the way the data on unrest are collected. Reuters is more likely to pick up stories of unrest from countries where it has news bureaus. These news centres tend to be in wealthier countries. Thus, a report of unrest is more likely to be mentioned in Reuters if it occurs in

Morocco than if it occurs in Chad. Nonetheless, this relationship between higher levels of GDP and unrest is an interesting one. It appears from this evidence that economic standing may be an important determinant of the level of stability in a developing country. The other demographic variables (change in GDP, population, and population change) did not exhibit statistically significant effects on the dependent variable.

The two political variables, democratic openness (Polity III) and the presence of military government, did not have statistically significant effects on the level of instability. Higher levels of democratic institutions did appear, as hypothesized, to be negatively correlated with the level of instability, but the model did not reject the possibility that this relationship may have occurred by chance alone. The finding was the same for the effect of the presence of a military government, i.e., it was associated with lower levels of repression but the model did not find a statistically significant effect on the level of instability.

The key empirical findings are as follows:

I. The more “globalized” (as measured by trade dependence and number of capital controls) an economy is, the lower the expected level of domestic instability.

II. The recent past predicts the level of instability extremely well. 77 percent of the variation in a given year can be explained by instability or stability present during the previous year.

III. The presence of democratic institutions and military regimes does not clearly exert downward pressure on the level of instability.

IV. The higher a country’s economic standing (per capita GDP), the higher the expected level of instability.

V. Population size and growth do not appear to affect the level of instability.

Taken together, one can say that this model demonstrates that economic globalization, as defined and operationalized in this statistical model, is associated with higher levels of instability when other factors are controlled for statistically. This statistical link does not necessarily mean that there is a causal link between economic openness and domestic tranquillity, but it certainly would lead one to question a statement made to the contrary. Perhaps there are modifications to the model that might reveal different results, such as including a lagged value for the globalization variables or including other unspecified variables in the model. Nonetheless, this finding presents a challenge to opponents of economic openness to explain why this model has produced results clearly in support of increased integration of LDCs into the world economy.

Conclusion: Is the Picture of Globalization Really Rosy?

Certainly one should not reach long-term conclusions or policy decisions based upon this or any other single piece of research. The findings of this paper suggest that countries that participate in the globalization of the world economy tend to enjoy lower levels of domestic unrest. It may be possible that the relationship between these two phenomena is not causal, but that these factors work together in a mutually reinforcing manner. One might picture a scenario in which a country chooses to become slightly more open. In turn, this country is treated with greater respect from other nations. Feeling less threatened by external sources, a country's leaders may sense less of a need to subdue their domestic populations. In turn, these "kinder and gentler" governments will observe fewer actions of discontent on the part of their citizens. Perhaps a "virtuous circle" emerges, in which pacified citizens interact more smoothly with their governments and vice versa.

If the findings of this article are corroborated and refined by other social scientific research efforts, the message for domestic as well as international policy makers would be to encourage developing countries to open their doors to investment and trade from abroad, and to shore up their exports. Despite its vilification in many circles, economic openness may be good for domestic tranquillity.

Once again, assuming these findings are backed by further research, several caveats are in order. First, one cannot neglect other aspects of the increased integration of the global economy. In addition to economic prosperity and political order, one must consider cultural and social factors when instituting any sort of neoliberal economic policies in developing countries. The social fabrics that hold many developing countries together are in many cases still traditional, and rapid change might result in undesirable social problems. Merely pacifying citizens with Pepsi-Cola and Michael Jackson cassettes may not be the total solution that policy makers have in mind. In addition, one needs to consider the fairness of policies on the citizens. For instance, one needs to consider the effect that greater economic integration will have on the income distribution in developing countries.[27] Finally, if the increased investment and trade is military-related, this may lead to undesirable side effects that may negate any gains made through economic openness. In short, statistical models are capable of revealing general relationships in the social world, but they cannot take into account all of the complexities inherent in economic development and planning.

This paper is not an attempt to endorse or decry any aspect of the current wave of globalization of economies in the developing world, but is instead an attempt to formulate and empirically test theoretical strains in the social science literature regarding the impact of a particular phenomenon. Globalization is still a varied concept. Hopefully, this work will add to the literature in this field and in turn be informed and refined by future research efforts. Nonetheless, it may be that a convergence between the already peaceful and economically open developed world and the developing world may be in progress. Only time will tell whether this trend continues.

[27] Hamada, "Global Linkages," 1998.

Appendix – Countries Included in Study

Algeria	Guyana	Paraguay
Argentina	Honduras	Peru
Bangladesh	India	Philippines
Benin	Indonesia	Rwanda
Bolivia	Iran	Senegal
Brazil	Israel	Sierra Leone
Burundi	Jamaica	South Africa
Cameroon	Kenya	Sri Lanka
Central African Republic	Lesotho	Sudan
Chad	Madagascar	Syria
Chile	Malawi	Thailand
Colombia	Malaysia	Togo
Congo	Mali	Trinidad and Tobago
Costa Rica	Mauritania	Tunisia
Cote d'Ivoire	Mexico	Turkey
Cyprus	Morocco	Uganda
Ecuador	Mozambique	Uruguay
Egypt	Nicaragua	Venezuela
El Salvador	Nigeria	Zambia
Gabon	Pakistan	Zimbabwe
Ghana	Panama	
Guatemala	Papua New Guinea	