

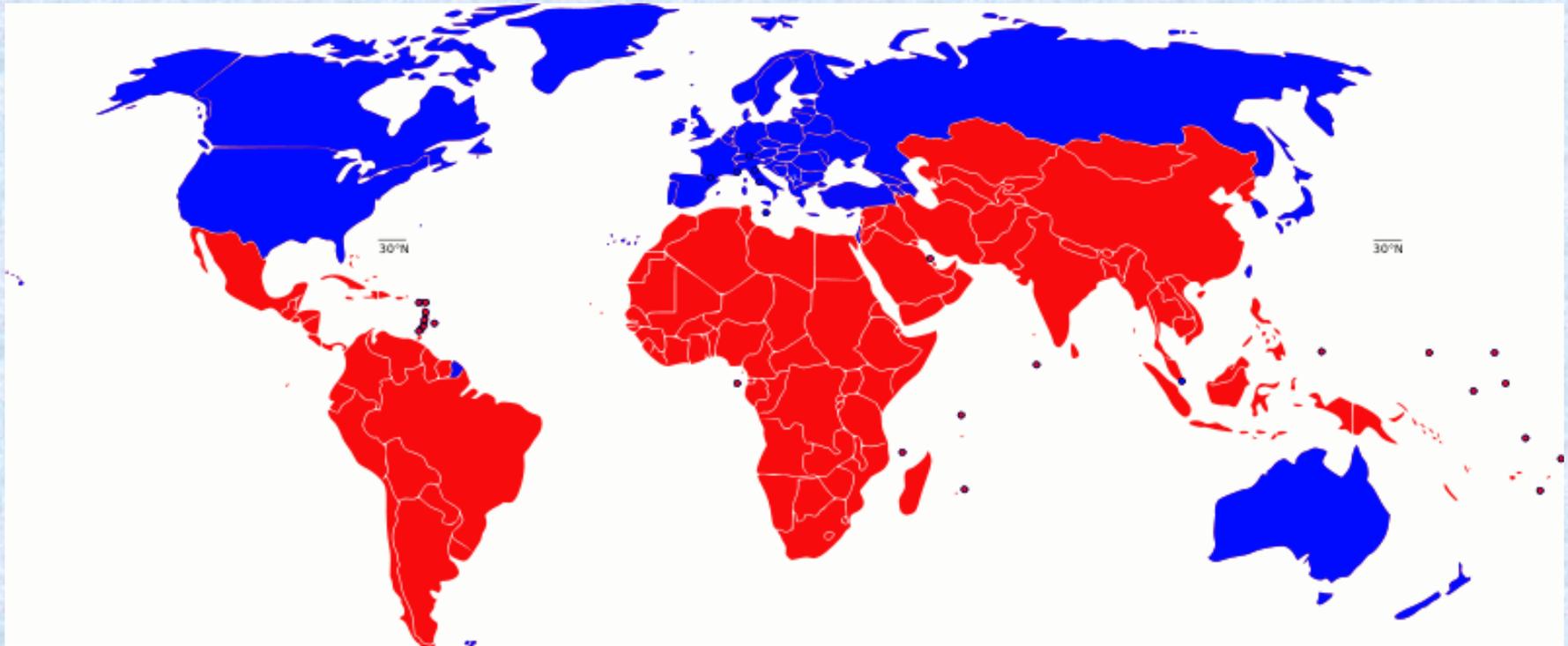
The Correlates of Wealth
Disparity Between the Global
North & the Global South



Noelle Enguidanos

RESEARCH QUESTION/PURPOSE STATEMENT:

What explains the economic disparity between the global North and the global South? After extensive studies in international politics and with a future that lies in international work, I am interested in explaining why the Northern states tend to be wealthier than the Southern states. The economic gap dividing the global North from the global South is increasing, creating an unequal distribution of development, investment, technology/skills and wealth. By examining political, economic and social factors, I test several hypotheses that explain the divergence in wealth within the globalized economy.



The Brandt Line (above) is the visual depiction of the North-South Divide

HYPOTHESIS:

I believe that economic factors, primarily export rates, have a greater impact of the GDP of states than social or political factors. Based upon the development literature from neoclassical economics, it is theorized that export-led growth will lead countries out of poverty. Furthermore, to the extent that countries rely on exports, they will have higher GDPs.

PROCEDURES:

By collecting data and statistics from various government agencies, organizations and institutes I have accumulated information on all countries for which data are available. This has allowed me to gather figures on 180 countries for 18 variables. These variables consist of various economic, political and social characteristics of countries and include: world region, GDP, distribution of wealth, debt, agricultural dependence, exports, imports, state fragility, regime type, education, the H & K test (tests education of immigrants), industrialization, immigration, level of corruption, fertility rate, infant mortality rate, life expectancy and HDI rank. Once collected, I ran various bivariate correlations to determine the strength of the relationships between these independent variables and the GDP of a state (the dependent variable). Additionally, I ran regression models on all of the countries to test these variables to see which has the greatest relative weight in explaining the variation in GDP across countries. After collecting these results, I then ran another regression model where I separated the Northern states from the Southern states.

Regression Model

<i>Variables</i>	<i>Model 1</i> <i>All Countries</i> <i>(N= 180)</i>		<i>Model 2</i> <i>Southern Countries</i> <i>(N=138)</i>	
	<i>Standard Coefficients</i>	<i>Significance</i>	<i>Standard Coefficients</i>	<i>Significance</i>
Agricultural Dependence	-.160	(.14)	-.139	(.14)
Exports	.110	(.11)	.087	(.12)
State Fragility	-.391	(.00)	-.289	(.01)
Regime Type	-.001	(.99)	.062	(.32)
Education	.299	(.00)	.164	(.07)
Industrialization	-.069	(.23)	-.066	(.22)
Immigration	.286	(.00)	.357	(.00)
Infant Mortality Rate	.096	(.38)	.159	(.13)
Life Expectancy	.268	(.01)	.152	(.11)
Distribution of Wealth	-.170	(.00)	-.204	(.00)
	F = 24.71		F = 29.48	
	Adjusted R ² = .66		Adjusted R ² = .72	
	Significant at: <.000		Significant at: <.000	

**I have tested for multicollinearity through looking at the bivariate correlations. There was no multicollinearity, so I have confidence in the model specification.*

Pearson's Bivariate Correlations Between Key Variables And the GDP Per Capita Per State

<i>Variable</i>	<i>Value</i>	<i>Statistical Significance</i>	<i>N</i>
Distribution of Wealth	-.419	.000	130
Debt	.099	.267	127
Agricultural Dependence	-.606	.000	161
Exports	.292	.000	179
Imports	.152	.000	177
State Fragility	-.653	.000	157
Regime Type	.108	.183	153
Education	.533	.000	165
H & K Test	.508	.000	73
Industrialization	-.002	.983	156
Immigration	-.032	.667	180
Fertility Rate	-.076	.326	168
Infant Mortality Rate	-.520	.000	178
Life Expectancy	.574	.000	173

LIT REVIEW:

My past research regarding the North / South divide has led me to investigate economic affairs in order to explain the divergence wealth. Previous studies have shown that the economic characteristics of a country such as the distribution of wealth, exports, agricultural dependence, and immigration are important contributors to overall GDP. The findings of previous research have led me to focus principally on the exports of a country since this factor determines its involvement with the global market. Meanwhile, I control for other social and political factors found to be related to GDP to test whether the economic hypothesis is supported.

DATA & METHODS:

- *My data sources include statistics from the:*
- *UN Database*
- *World Bank*
- *CIA*
- *GINI Index*
- *State Fragility Index*
- *Human Development Reports*
- *Polity and Transparency International*
- *Organization for Economic Co-operation and Development (OECD)*

RESULTS/FINDINGS:

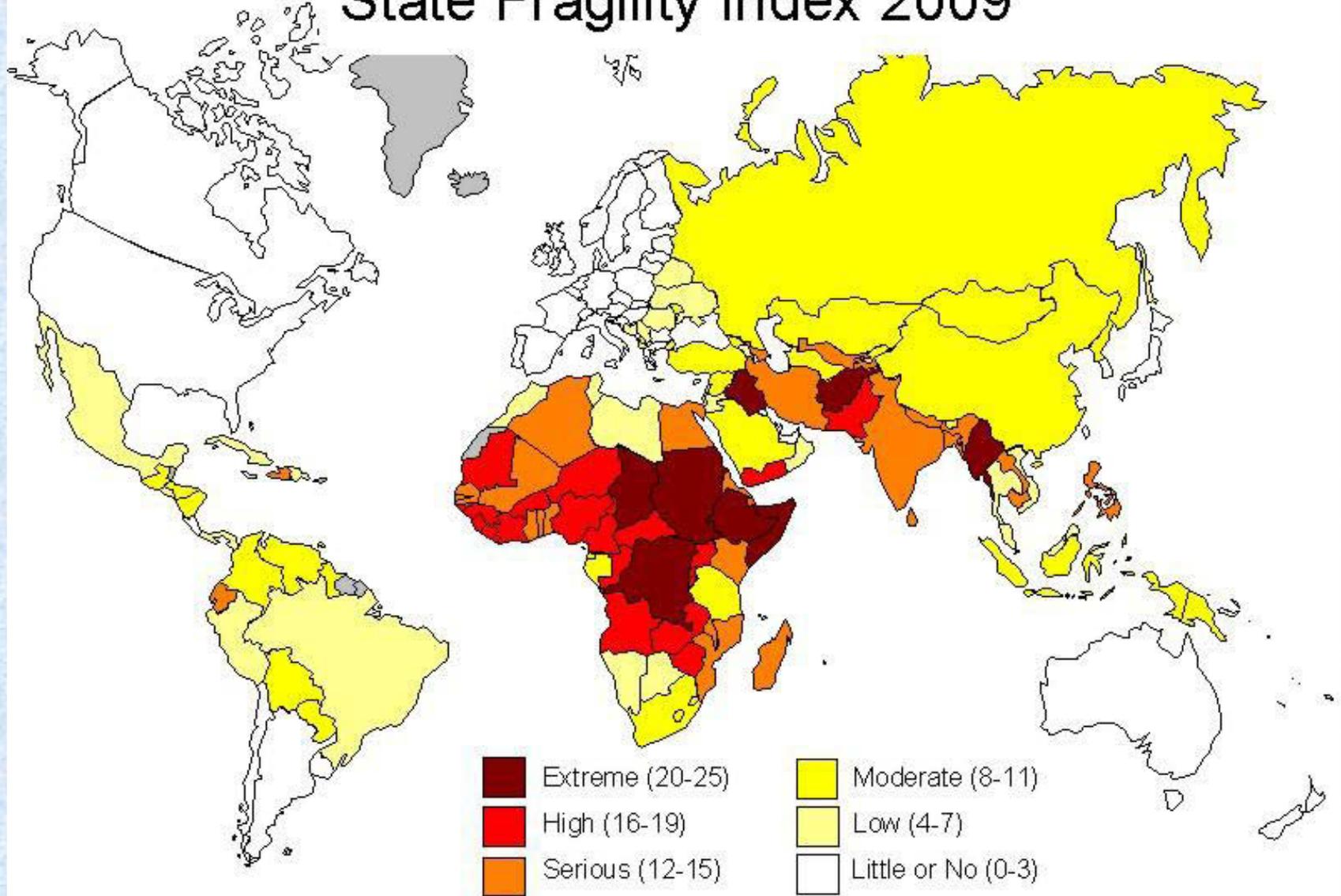
I have found that when taking into account all of the states (both the North and the South) the regression model shows that state fragility (a political factor) affects the state's GDP the most. The State Fragility Index measures the effectiveness and legitimacy in four performance dimensions: security, political, economic and social. This is a vital factor affecting GDP since it measures how stable a country is, and thus is an indicator of the effectiveness of the state's government. The other two prominent factors that affect GDP are education (a social factor) and immigration (an economic factor). My findings for this regression model were not as predicted according to my hypothesis since a political factor and a social factor had the most weight in predicting total GDP, with an economic factor being the third variable affecting the wealth of a country.

However, when running a regression model on Southern states only, immigration produced the highest affect on GDP. Since immigration is considered to be an economic factor, this point would strengthen my hypothesis on the matter since the migration of people from one country to another brings wealth and skills that one country may not have had before. Furthermore, immigrants and the growth of a population encourage the circulation of money as well as increase the labor force, thus increasing the movement of wealth. The other two factors that affected GDP the most in the south were state fragility (a political factor) and the distribution of wealth (an economic factor). This illustrates how once again how the stability of a country can affect GDP, explain more about whether a less equal distribution of wealth predicts higher GDP, or vice versa.

When analyzing the Pearson's bivariate correlations between key variables and the GDP per capita per state, the overall outcomes produced illustrate that state fragility (a political factor), agricultural dependence (an economic factor) and life expectancy (a social factor) can be linked the most overall to the wealth of a state. Such findings once again show weak support for the economic hypothesis as political factors are demonstrated to be the primary factor affect a state's GDP.

- **DISCUSSION & CONCLUSION:** Overall I have found the economic hypothesis to be unsupported, since I did not find the economic variables to be the most important factors to be GDP. Rather, I found a political factor to be the most important (state fragility). Since state fragility was shown as either the primary or secondary factor affecting GDP the most, I can state that the GDP tends to be predicted by other characteristics of countries beyond economics.. Furthermore, with the Organization for Economic Cooperation and Development counting as many as 50 fragile or failing states (all of which are in the South), this would be a strong explanation as to why the economy of the South is weaker as a whole over any other variable including regime type or export rate since a state must first be stable in order to be more involved in domestic and international affairs affecting their economy.

State Fragility Index 2009



RELEVANCY OF RESEARCH: SENEGAL

With a GDP of \$1,600 and a distribution of wealth rate of 42.58 (100 being perfect inequality, 0 being perfect equality), Senegal is an ideal illustration of the struggle for wealth amongst southern states. The condition of the state is weak, creating a poor distribution of wealth in the southern states due to political instability and thus causing Senegal to have a state fragility score of 10 (with a 0 being stable and a 25 being very unstable). In terms of real outcomes, Senegal is one of the leading southern countries taking hazardous waste from wealthier countries in exchange for capital. However, instead of circulating the profits back into the state, the government harbors the wealth and instead leaves the majority of the population to live in a hazardous condition, and thus creating a fragile state with an unequal distribution of wealth and an unbalanced state economy. Without a stable political standing, the circulation of money is insignificant in terms of aiding the country's economy and raising its GDP. Overall, it is not necessarily the GDP or wealth per capita that dictates the prosperity of a state, but rather it is the instability of the government and political actions that put the country in a fragile state in the world economy.