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## Globalization, Human Capital Accumulation and Economic Growth in selected Developed and Developing Countries

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## EXTENDED ABSTRACT

### INTRODUCTION

The significance of human capital in improving economic growth and productivity is among the vital issues that have received considerable attention from economists. In specific, attaining economic growth has been an issue of interest for economists in recent decades, which requires certain mechanisms, including human capital index and globalization. Even though economic growth is driven by human capital, most resource-rich countries lack the necessary human capital since their natural capital out crowds' human capital. Globalization assists a country in exploiting the benefits of openness, as it mitigates downside risks. Meanwhile, the increased capital flow that emerges from openness may enable producers to take advantage of a diversified portfolio and invest in riskier projects that yield rapid economic growth and expedite lending and borrowing. In addition, the degree of development of countries has been employed as a dummy variable, where zeros and ones indicate developing and developed countries, respectively.

### METHODOLOGY

This research aims to examine the mutual relationship between three variables, namely globalization, human capital accumulation, and economic growth, by theoretical analysis and modeling macroeconomic conditions. Moreover, an adaptive comparison between 23 selected developing countries

and 33 developed countries over the 1995-2017 period was carried out based on the generalized method of moments using systemic panel data.

## **FINDINGS**

The results indicate that, with a 95% confidence interval, an increase in globalization, economic growth, and life expectancy leads to increased human capital. In contrast, an increase in the urbanization rate does not effectively improve the human capital index in the selected countries. Furthermore, increased human capital, economic growth, population growth rate, development of telecommunication infrastructures, and foreign direct investment affect globalization. Finally, human capital, globalization, labor, and investment affect the economic growth in the selected countries.

## **CONCLUSION**

Based on the estimation results in selected countries, it can be concluded that increasing globalization leads to greater use of factors of production, higher efficiency at international levels, and improvement in economic growth through interaction with global markets and improvement in the technology employed in countries. Therefore, increasing the openness of the economy of a country increases productivity through the establishment of competition with other countries and the transfer of technology, which ultimately yields economic growth. Estimation and analysis of the multiplier coefficients of the dependent variables for the two mentioned groups of countries concluded that the changes in globalization and economic growth demonstrate a higher effect on human capital for the studied developed countries. Moreover, the multiplier coefficient effect of human capital on globalization in developed countries was more than that of developing countries. In other words, the changes in human capital demonstrate more significant effects on globalization in developed countries.

On the other hand, for developing countries, the multiplier coefficient effect of economic growth on globalization was more than that of developed countries by twofold. This result indicates that, for developing countries studied in the mentioned period, a change in economic growth leads to a more significant increase and improvement in globalization. These results may be due to more vacant capacities and potentials in developing countries. In developed countries, the economy is often at full capacity and does not allow for a high growth multiplier. Indeed, the changes in globalization and human capital variables affect the economic growth of developed countries more notably compared with developing countries.

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