
Globalization: A Surreptitious Threat To Intra State Social Cohesion

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Abstract

Recently, changes in social front are observed more than any change in the context on globalization. The concept of social cohesion has been facing new challenges and paradoxical position in debate about globalization. Present study is an attempt to explore the impact of globalization on social cohesion for a panel of 99 countries, utilizing five-year average panel data for the period 1990 to 2010 using Least Square Dummy Variables (LSDV). The results of the study reveal that globalization is a real threat to social cohesion now a day's. It may be due to the fact that expected fruits of globalization are not realized fully by the people. Globalization is supposed to increase intra state disparities among the people, benefiting a particular segment of the society and widening the gulf between the beneficiaries of the globalization and victims of globalization thereby reducing social cohesion. The study suggests that authorities and social policy makers need to address and pay attention to critical issues. There is a need to introduce policies which may pay much emphasis to the concerns related to social cohesion.

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I. Introduction

Social cohesion is a multidimensional concept and generally regarded as a phenomenon of togetherness that may work to have the society unified and harmonized. Van *et al.* (2013) defines Social cohesion in a broader sense explains that social cohesion is not only limited to social relations, communal connections and intergroup harmony, but also it is concerned with fair dealing with the deprived segments of society such as women and minorities. The concept of social associations got importance after the work of Coleman, (1988); Putnam *et al.*, (1994). The existing literature highlights the major determinants and repercussions of social cohesion. Most of the studies discuss social cohesion diversity particularly with reference to ethnic, linguistic and religious factors (see for example miller, 1995; quillian, 1995; McPherson *et al.*, 2001; Messick and Kramer, 2001; Alesina and la ferrara, 2002; delhy and newton, 2005). Besides social cohesion diversity, socioeconomic deprivations also have been given due emphasis in empirical work. Letki (2008) claims that socioeconomic disparities are important in defining the social cohesion as compared to diversity.

The concept of welfare state and its basic social policies are facing new challenges in the debates related to globalization. Different points of views are presented in the literature. The social plans which characterize modern prosperous economies are thought to be luxuries which are no more affordable. Apart from a flop of the tendency concerning pro-market restructurings at the nationwide, regional and global levels, a constellation of expansions may perhaps be at the vanguard of expansion and the escalation of rivalry in upcoming decades, so it may endanger social cohesion. There is another point of view regarding policies which is very important and is considered to be the primary source for the public sector to enable people through the

process of adjusting to economic change, thus maintaining social cohesion. Globalization may benefit social cohesion due to availability of larger economic, political, social opportunities that may lead towards prosperity and reducing disparities, inequalities and poverty. One possibility is that there may be no effect of globalization on social cohesion due to the integrated world. One point of view is that the impact of globalization on social cohesion may be conditional on the fact whether the economy is winner in the process of globalization or loser. If the economy is winner it may enhance social cohesion and on the other hand if the economy is loser then it may be harmful for social cohesion.

The debate on the impact of globalization on social cohesion is not much clear. For the last several years visible changes have been observed in economic conditions due to globalization. In this regard the role of government is highly important and if government is slow in making tactical social policy to meet the challenges of globalization then there appear social and economic problems which may exert bad impact on the smooth functioning of the society. Rest of the study is organized in the following sequence. Section II reviews the relevant literature; section III discusses the theoretical framework, section IV presents model specification and results and section V concludes the study.

II. Literature Review

Snower (1997) discusses the challenges that make it difficult to get higher levels of economic performance along with higher levels of social cohesion in the forthcoming decades. These challenges are very much interlinked; however we may consider them under the wide-ranging category of globalization. In recent years the abolishment of trade restrictions and high Foreign Direct Investment (FDI) have increased both market chances and competitive pressures confronted by a number of companies in different countries. One important outcome is that developed states

are getting relatively more advantage in the production of skilled labor intensive products and as a result demand for skilled labor has increased relative to unskilled labor in developed countries. Due to the legislation, central negotiating customs, union pressure and welfare privileges, unemployment among un-skilled workers has been rising over time which leads to substantial increase in income inequality which has become a major threat to social cohesion.

Hannigan (2002) conceptualizes the relationship among culture, social cohesion and globalization through the social typographies of space, region, network and fluids. Fluids show the international movement of people, information, items and money in free manner. The study concludes that social identities are neither tied to nation state nor they are determined by commercial cultural environment created by the global entertainment economy rather they are characteristically growing.

Duhaime *et al.* (2004) states that social cohesion has emerged as an influential concept which is used by academia and policy analysis. In Academia it is used to highlight the social and economic shortcomings of modern era which is related to the decrease in mutual values and community participation. Policy makers use this concept to influence government to device policies that may enhance social cohesion by reducing inequalities. Michalski *et al.* (1997) throws light on the forthcoming problems which different countries may face due to globalization. In their point of view different upshots may happen that are expected to have different social impacts. There may be a situation of no change or some chances of progress in income but other prospect may remain disturbing. The study points out that high-tech modernism, liberalized markets and much better economic conditions may create favorable atmosphere on the social front.

Hasan (2013) tries to explain the challenges faced by the social Cohesion in Singapore, a country characterized by

huge number of immigrants and income disparities. The study shows how the country has managed masterfully to achieve a high level of cohesion, but how current developments threaten this status, resulting in demands to address the issues at stake. In early years various policies were introduced in Singapore for managing racial and religious harmony were quite successful but the social fabric of the society has been changing with rapid and high immigration, use of technology on rising income inequality forced the government to amend its policies toward social cohesion. The new policies need to help lower income group targeted welfare schemes to help the lower income and tightening of immigration policies and promotion of community and cultural events to encourage integration of new migrants.

Hung (2014) discusses key features of social cohesion in Malaysia. The study explains what challenges the country faces and how they might be resolved. Since independence, Malaysia has been relatively successful in promoting the social mobility of a section of the population judged to be socio-economically in need of assistance. The leaders appear to be motivated more or less by a particular ethno-nationalist perspective of nation-building which have exerted a negative impact on the framework of social integration.

Jiwei (2014) highlights the importance of social policies and in particular public service provision in China. The author explains the reform of the system since the 2000s and what achievements have been made through the provision of such basic public services. Four issues have been discussed which are to be addressed in future to prove basic public services. First, address the information and incentive structure of local governments when reforming the fiscal system. Second, the budget making and management system should be reformed. Third, reform fragmented social programs that not only hinder equal access, but also incur efficiency losses (*i.e.*, lack of economies of scale for service provision as well as lack of risk sharing in terms of social

insurance), apart from being importable. Fourth, while the government has invested intensively in many social programs, it is imperative now to have programs evaluations for those social policies, which could be very helpful for targeting the government inputs more efficiently and for evaluating the quality of social programs to meet the objectives of these social policies.

Dheret (2014) discusses social cohesion as a way to exit the economic crisis in Europe and looks at how the economic crisis has affected social cohesion within the European Union. After providing an overview of the status of social cohesion in Europe, the author analyzes some hidden facts of social cohesion and argues that policies to address the divides can be a way out of the crisis. Since discussions on social cohesion are very prominent in times of economic and social transformation. The study stresses that social cohesion is a complex phenomenon, deeply embedded in societies which comes from an elusive equilibrium of a set of policies.

Hemerijck (2014) discusses social cohesion through social investment. The author highlights the developments of the European welfare states and reforms over time. The perspective is then shifted towards social investments and how these impact the cohesiveness of societies. The study shows the dilemma between fewer financial resources and the required social investments at the same time.

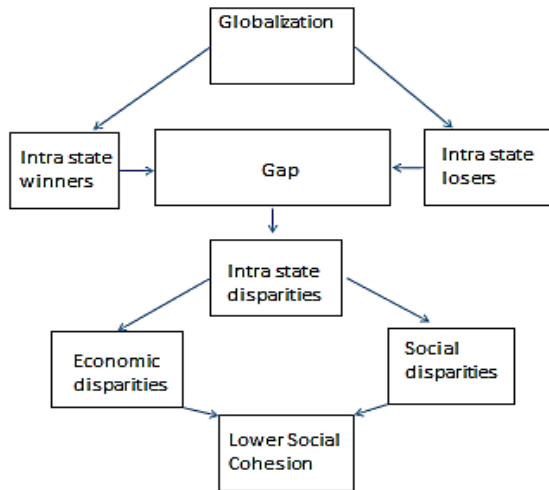
Graziano (2014) addresses the situation of social cohesion in Italy. The author looks at the economic performance of Italy since the introduction of the Euro and the way development has affected the employment situation. The study highlights the interdependence between the domestic conditions and the European environment. The study suggests that the overall situation may change in the near future.

Braun (2014) shows how civic engagement impacts the different social relations in Germany. It helps to fulfill welfare tasks which the government cannot meet due to

limited resources. At the same time, civic engagement builds up human as well as social capital. The study suggests that companies can also play a key role and help in promoting social cohesion.

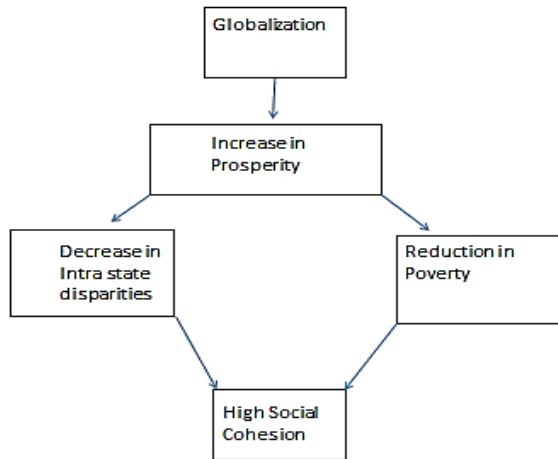
III. Theoretical Framework

Globalization may enhance or reduce social cohesion. It can be explained with the help of flow chart given below. There may be winners and losers of the globalization in an economy, rich will become richer, poor will become poorer and it may widen the gap between these two segments of the society. There may be an increase in intra state disparities, both economic and social, because winners will be having higher income level as compare to losers, similarly winners will enjoy higher social status and losers may be subjected to miseries. The final outcome of these interacting forces may be reduction in social cohesion.



Globalization may enhance social cohesion; if fruits of globalization are distributed equally it will enhance overall

prosperity in the economy, disparities will be minimized and poverty will be reduced, resultantly there will be high social cohesion.



IV. Model Specification and Results

The study uses panel data (five year average) for the period 1990 to 2010. Data has been taken from the data base of International Institute of Social Studies (*Indices of Social Development*), The Quality of Government Basic Dataset by University of Gothenburg, Database of Political Institutions (DPI) by Philip Keefer, (2012), standardized world income inequality data base (SWIID Version 5). Table 1 shows the summary statistics of variables.

Table 1
Summary Statistics of Variables

Variable	Std. Dev.	Mean	Min	Max
KOF Index (over all globalization)	17.93	56.36	18.89	92.7
Economic globalization	19.368	56.75	10	97.64
Social globalization	22.96	47.59	8.6	92.77
Political globalization	19.86	68.31	16.26	98.26

Income inequality	9.321	38.90	17.96	68.15
Ethnic diversity	0.255	0.422	0.0019	0.930
Linguistic diversity	0.288	0.381	0.0021	0.922
Religious Diversity	0.244	0.408	0.0034	0.860
Civic Activism	0.0989	0.533	0.319	0.880
Inter Group Cohesion	0.098	0.598	-0.0318	0.788
Inter Personal Safety and Trust	0.104	0.511	0.231	0.753
Inclusion of Minorities	0.109	0.505	0.172	0.900
Average years of Schooling	2.925	6.89	0.681	13.27
Log of GDP	2.238	24.38	19.003	30.23
Inflation	404.11	50.23	-5.860	7035

The general form of the empirical specification of the model (fixed effect model) can be written as

$$Y_{it} = K_{it}\beta + W_i\alpha + \epsilon_{it}$$

i =cross section dimension, t = time series dimension

Y_{it} =Social cohesion i^{th} cross section in t^{th} time period, explained variable represented by inter group cohesion.

$K_{it}\beta$ =Matrix of independent variables (does not have intercept term) including: globalization, diversity, inclusiveness and some other regressors.

$W_i\alpha$ =the heterogeneity or individual effects, keep in mind W_i has an intercept term and a set of country specific variables, that can be observed or they might be unobservable. When $W_i\alpha$ is unobserved and have a correlation with K_{it} , then this condition leads us to the model known as random effect model which can be formulated as

$$\begin{aligned} Y_{it} &= K_{it}\beta + E[W_i\alpha] + \{W_i\alpha - E[W_i\alpha]\} + \epsilon_{it} \\ &= K_{it}\beta + \alpha + \mu_i + \epsilon_{it} \end{aligned}$$

The above model is having composite error term which consists of two elements, one country specific error component and the other combined time series and cross section component. The Hausman test is used to test whether fixed effect is better or random effect is better for the estimation of panel data. Before we make the distinction between fixed and random effect models we must know that panel data consists of a set of individual or group specific variables, which may be observed, such as race, sex, location, and so on, or unobserved, such as family specific characteristics, individual heterogeneity in skill or preferences and so on. If we assume all these effects are constant over time and space then we can pool the data and we can estimate the model with ordinary least square (OLS) but if we assume unobserved effect to be constant over time but vary on space, they may be correlated with independent variables, in such a case OLS estimator will give biased and inconsistent results because we were not able to model the unobserved effects so our model suffers from the problem of omitted variables.

Under fixed effect model or least square dummy variables (LSDV) we overcome this problem with the help of dummy variables and we generate a dummy variable for each cross section to control the effect of group specific unobserved effects, this is reflected in differences in constant terms which will be a group-specific constant term in the regression model. It should be noted that the term “fixed” as used here signifies the correlation of omitted variables with independent variables is fixed not that omitted variables are non-stochastic. The inclusion of dummy variables is actually a cover up of our ignorance about the true model as we were unable to model the group specific effects, If the unobserved individual heterogeneity can be assumed to be uncorrelated with the included variables then this is the assumption that leads towards the Random effect model which is based on the idea that if dummy variables in fact represents the lack of

knowledge about the true model then why not represent this ignorance in the disturbance term and this is the reason why random effect model is also called error component model, instead of treating intercept term to be group specific constant we assume it random. (Gujrati, 2004) The error term of the random effect model is now composite error term which consists of two elements one group specific error component and the other combined time series and cross section component.

The Hausman test is based on the idea that under the null hypothesis we test there is no correlation between omitted variables and independent variables and in such situation both OLS, LSDV(fixed effect) and FGLS(random effect) estimators are consistent, but OLS is inefficient due to the fact that they may not be constant both over time and space, whereas under the alternative, LSDV is consistent, but FGLS is not as there may be correlation between omitted variables and independent variables. Therefore, under the null hypothesis, the two estimates should not differ systematically.

Variable Description and Expected Results

Intergroup Cohesion describes the cooperation among different ethnic, linguistic, religious or any identity-based groups in a society. It tells about the ability of societies to manage latent conflict before it becomes violent. This variable has been used as dependent variable as a proxy for social cohesion.

Globalization is the integration of economies into world economy, it is measured by KOF index of globalization which is a composite index consisting of economic, political and social globalization. It ranges from 0 to 100 and closer to 100 means high level of globalization and a value closer to 0 means very low level of globalization. It may have positive or negative impact on social cohesion depending upon the outcomes of the globalization. Globalization may enhance

social cohesion if globalization enhances the economic and social opportunities across countries and as a result disparities may be minimized, poverty may be eradicated and there may be prosperity everywhere. This leads to peace of mind state and helps in promoting good relations among people. On the other hand globalization may reduce social cohesion if expected fruits of globalization are not realized fully.

Interpersonal safety and trust tells about the norms of reciprocity and trust in the society. It describes the norms and willingness of individuals to cooperate with each other. This is expected to have positive impact on social cohesion. An increase in the willingness leads to more cooperation which promotes trust among the people. As a result social cohesion may be increased in the society.

Inclusion of minorities Inclusion of Minorities Index refers to the equal treatment for minorities. We may expect positive role of Minorities if they have equal treatment in the society. They may have feeling of honor being member of society which leads to good relations which helps in keeping the society united. Higher value of this index means positive influence on social cohesion.

Linguistic diversity refers to the probability that two individuals chosen randomly from a country will belong to different linguistic groups. We may expect either positive or negative effect of diversity. If the society has learned how to live together in a peaceful way, diversity may enhance social cohesion otherwise it may endanger social cohesion. It may be due to the fact that if there are a large number of linguistic groups, every group will work for the interest of its own group and that may create conflict of interests among different linguistic groups and resultantly reduce social cohesion in the society.

Religious diversity refers to the probability that two individuals chosen randomly from a country belong to different religious groups. Religious diversity may have positive or negative impact on social cohesion. If there are

large numbers of religious groups and there is lack of harmony and respect for each other's religion it may hurt social cohesion in the society due to intra religion as well as inter religion conflicts.

Ethnic diversity refers to the probability that two individuals chosen randomly from a country belong to different ethnic groups. We may also expect either positive or negative effect of ethnic diversity. It may not be a threat to social cohesion if ethnic groups are living in harmony. It can be a serious threat if ethnic groups are proponents of their own group and have feeling of biasedness towards other groups.

Civic Activism is the strength of society for collective action to defend political rights and to show their interests to government through different channels like nonviolent protests and media campaigns. High level of civic activism is expected to enhance social cohesion. If society is very active there may be higher level of cooperation in the society which is an indication of social cohesion.

Income Inequality is measured by Gini coefficient which ranges from 0 to 1, a value closer to 0 means equal distribution of income and a value closer to 1 means high inequality. Higher income inequality is expected to reduce social cohesion due to the fact that it will give rise to the feeling of hatred towards each other. The people that are victim of disparities may be expected to have the feeling of hatred towards the prosperous people whereas prosperous people may consider the poor people as inferior and may be having the feeling of proudness. This indicates that rising income inequality may lead to reduction in social cohesion.

GDP is used as a proxy for prosperity in the country. This is expected to enhance the social cohesion in the society due to the fact that prosperity may reduce the sufferings of the people. If everyone in the society has enough to enjoy its life then we may expect one will be in peace of mind state and psychologically satisfied. If one is satisfied and having no anxiety problem it is expected that he

may be having good attitude towards others and good attitude can win the hearts of the masses, it may lead to enhance social cohesion.

Education has been measured by average years of schooling and we expect positive role of education in enhancing the social cohesion. Educated person is expected to be well aware about its rights and duties, so he or she is expected to have good dealing with the people at large which enhances social cohesion in the society.

Inflation is measured by GDP deflator. We may expect negative impact of inflation on social cohesion due to the reason that higher inflation is the distortion of the purchasing power and this distortion can add to the miseries of the people. Loss of purchasing power may increase the anxieties of the people because of which people behave rudely and this kind of behavior can reduce social cohesion.

Economic Globalization is based on variables related to inflows and restrictions. Inflows include: trade percentage of GDP, FDI, Portfolio, Transfer payments to abroad; Restrictions includes: hidden import barriers, tariff rates, capital account restriction. We may expect either positive or negative impact of economic globalization on social cohesion depending upon the gains realized or losses suffered from economic globalization.

Social Globalization includes data on personal contacts (telephonic traffic, tourism etc.), information flows (Internet users, TV users etc.) and cultural proximity (Number of McDonald's Restaurants, trade in books). We may expect either positive or negative impact of social globalization on social cohesion depending upon the gains realized or losses suffered from social globalization. It mainly depends upon the use of opportunities provided by social globalization.

Political Globalization includes foreign embassies in the country, Membership in International Organizations, Participation in UN Security Council Missions, International Treaties. We may expect either positive or negative impact of political globalization.

Table 2
Results of LSDV Model (With Robust Standard Errors)
(Dependent variable: inter group cohesion)

	1	2	3	4	5	6	7	8	9	10	11
Globalization	-.0031*** (0.006)	-.0032*** (0.005)	-.0031*** (0.006)	-.0041*** (0.002)	-.0045*** (0.001)	-.00319** (0.006)	-.0021*** (0.034)	-.0022*** (0.029)	-.0021*** (0.034)	-.0022*** (0.031)	-.0033*** (0.014)
Income Inequality	-.0003*** (0.005)	-.0003*** (0.006)	-.0003*** (0.005)	-.0003*** (0.054)	-.0004*** (0.004)	-.0003*** (0.009)	-.0003*** (0.011)	-.0003*** (0.011)	-.0003*** (0.011)	-.0002*** (0.015)	-.00023 (0.146)
Education	.0035 (0.708)	.000072 (0.994)	.0035 (0.708)	.0315*** (0.014)	.0108 (0.310)	.0041 (0.681)	.0094 (0.311)	.00637 (0.504)	.0094 (0.311)	.00978 (0.317)	.0374*** (0.002)
GDP	.098*** (0.000)	.104*** (0.000)	.098*** (0.000)	.145*** (0.000)	.132*** (0.000)	.1007*** (0.000)	.093*** (0.001)	.0985*** (0.000)	.093*** (0.001)	.096*** (0.000)	.1345*** (0.000)
Inflation	6.1006 (0.820)	2.6806 (0.920)	6.1006 (0.820)	.000056** (0.073)	.000017 (0.583)	5.1206 (0.848)					
Ethnic Diversity							.512 (0.243)				
Linguistic Diversity		.176 (0.249)						.190 (0.291)			
Religious Diversity			.310 (0.182)						.323 (0.243)		
Inclusion of minorities				.269*** (0.005)							.293*** (0.000)
Interpersonal safety and trust					-.112 (0.278)						
Civic Activism						.0491 (0.551)				.0375 (0.696)	
WTO Dummy							-.0349*** (0.021)	-.0345*** (0.023)	-.0349*** (0.021)		-.0399*** (0.077)
Cons	-1.626*** (0.004)	-1.614*** (0.005)	-1.664*** (0.004)	-2.944*** (0.000)	-2.232*** (0.001)	-1.597*** (0.005)	-1.589*** (0.004)	-1.562*** (0.004)	-1.628*** (0.003)		-2.78*** (0.000)
N	332	325	332	235	271	329	332	325	332	329	235
R-squared	0.609	0.615	0.609	0.716	0.692	0.6066	0.617	0.6237	0.6178	0.6153	0.7194
Hausman test	chi2	38.23**	41.63***	38.69***	61.99***	49.12***	36.69***	31.37***	30.20***	29.94***	30.87***
	Prob>chi2	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)

***, ** shows significance at 5% and 10% level respectively; In parenthesis () are probabilities.

Hausman test has been applied on all specifications of the model which shows that fixed effect (LSDV) model is more appropriate for the estimation purposes as null hypothesis of Hausman test is rejected in all specifications. All of the specifications of the model have been estimated by fixed effect (LSDV) method. There is most likely to be the presence of Heteroscedasticity in the panel data so estimation has been done with robust standard errors to tackle this issue.

The coefficient of globalization carries negative and statistically significant sign which means globalization has negative impact on social cohesion. It means an increase in globalization leads to reduction in intra state social cohesion.

This finding is in line with the argument that social policies that characterize modern welfare states and are considered helpful for social cohesion can no longer be affordable in a world of intensely competitive markets. This can be linked to the decline of communal values, civic participation. Trust level may deteriorate due to self-interest and cut throat competition, where there is survival of the fittest only. Furthermore globalization can cause various social and economic inequalities, increase disparities and poverty that are threat to social cohesion. The results of the study show that inequality leads to deterioration of social cohesion as the sign of the coefficient of income inequality is negative and it is statistically significant in all specifications. The negative impact of inequality on social cohesion is highlighted in the literature (see for example Green *et al.* 2006). Inequality can increase social skirmish (Alesina and Perotti, 1996; Perotti, 1996) and tension (Wilkinson, 1996) in the society that can have intimidating effects on communal trust and civic collaboration and can upsurge insightfulness of deprivation amid masses (Green *et al.* 2010). Education also has been used as determinant of social cohesion and it has positive sign but insignificant in most of the specifications, in some specifications it is positive and significant which is in accordance with the notion that highly educated societies are more cohesive. GDP has been used as a measure of prosperity and it has positive and statistically significant impact on social cohesion which indicates that prosperity leads to more cohesive society and literature supports this argument.

Social cohesion requires the right mix of policies enabling people to live in wealthy societies, to feel protected against social risks and to live up to their full potential to take part in social and economic life through equal opportunities. A simultaneous pursuit of economic and social progress is therefore required. Civic rules may be stronger in the societies where there is ethnic homogeneity and people are more educated and having high income levels (Knack and

Keefer 1997). Tolerance and social attitudes towards neighbors are influenced by level of education and income. Highly educated and wealthy individuals are supposed to have more tolerance and better social contacts. (Tolsma *et al.* 2009). Inflation is insignificant in determining the social cohesion. Diversity (Ethnic, linguistic and religious) is insignificant in all specifications which mean that diversity is not threat to social cohesion. Oliwer and Wong (2003), for instance, uphold that people living in varied atmosphere can have more open-mindedness, added trust and hence optimistic approach towards each other. Zimdars and Tampubolon (2012) also described the progressive effects of diversity on prevalent trust. Features associated to socioeconomic disadvantage are more significant than ethnic or cultural diversity in describing the social cohesion of the people. Inclusion of minorities has positive and significant impact on social cohesion in couple of specifications indicating that impartial treatment towards the disadvantaged sections of society such as minorities leads to higher level of social cohesion. Lastly a dummy variable has been used for WTO (assume the value 1 after WTO implementation i.e 1995 and 0 for prior period) to ensure the fact that it is globalization due to which social cohesion is being deteriorated which can be ensured through the implementation of WTO. This dummy variable shows that social cohesion has been deteriorated after the implementation of WTO.

For having further insights in the role of globalization in determining social cohesion, subcategories of globalization (Economic, Social and Political Globalization) have been used with education, Income, inequality and different measures of diversity, *i.e.* ethnic, religious and linguistic diversity. The results in Table 3 reveal that diversity is not a threat to social cohesion rather economic and social globalization are major threat to social cohesion as both have negative statistically significant coefficient in all specifications of ethnic, religious and linguistic diversity. It is interesting

that political globalization is found insignificant in influencing social cohesion. It may concluded that economic and social variables play more important role as compare to political globalization.

Table 3
Results of LSDV Model (With Robust Standard Errors)
(Dependent variable: inter group cohesion)

	1	2	3	4	5	6	7	8	9	10	11
Economic Globalization	-0.0030*** (0.000)			-0.0030*** (0.000)			-0.0032*** (0.000)			-0.00253*** (0.001)	
Social Globalization		-0.0035*** (0.001)			-0.00350*** (0.001)			-0.0033*** (0.001)			-0.0029*** (0.004)
Political Globalization			.000074 (0.894)			.000074 (0.894)			-.000015 (0.978)		
Income Inequality	-.0003*** (0.012)	-.0003*** (0.005)	-.00041*** (0.000)	-.00030*** (0.012)	-.00032*** (0.005)	-.0004*** (0.000)	-.00030*** (0.016)	-.00032*** (0.006)	-.0004*** (0.001)	-.00025*** (0.037)	-.0002*** (0.021)
Education	.00012 (0.988)	.0034 (0.703)	-.00691 (0.455)	.00012 (0.98)	.0034 (0.703)	-.00691 (0.455)	-.0039 (0.644)	.00022 (0.98)	-.00969 (0.297)	.0088 (0.328)	.0113 (0.207)
IGDP	.0949*** (0.000)	.0975*** (0.000)	.0545*** (0.025)	.0949*** (0.000)	.0975*** (0.000)	.0545*** (0.025)	.1034*** (0.000)	.0998*** (0.000)	.0596*** (0.015)	.0955*** (0.000)	.097*** (0.000)
Ethnic diversity	.487 (0.204)	.3249 (0.352)	.2836 (0.385)								.537 (0.136)
Religious diversity				.3080 (0.204)	.2052 (0.352)	.1790 (0.385)					
Linguistic diversity							.1725 (0.282)	.111 (0.44)	.096 (0.472)		
Dummy											
WTO											
cons	-1.533*** (0.004)	-1.585*** (0.003)	-.617 (0.199)	-1.571*** (0.003)	-1.611*** (0.002)	-.639 (0.185)	-1.577*** (0.003)	-1.542*** (0.003)	-.639 (0.186)	-1.631*** (0.002)	-1.671*** (0.002)
N	337	337	337	337	337	337	330	330	330	337	337
R-squared	0.609	0.611	0.582	0.609	0.611	0.5823	0.618	0.614	0.587	0.620	0.6219

* * * shows significance at 5% ; In parenthesis () are probabilities.

The results in Table 4 show the impact of economic, social and political globalization with variables of inclusiveness. The results reveal that economic and social globalization is threat to social cohesion as both have negative sign which is statistically significant in all specifications. We may say that social cohesion is determined by social and economic factors. That is why social cohesion is affected by economic and social globalization. Economic globalization negatively affects social cohesion because it is based on inflows and restrictions. Similarly social globalization also reduces social cohesion. Personal contacts, information flows and cultural proximity create conflicts among individuals which reduces social cohesion. Inclusiveness (Inclusion of minorities) is helpful in

enhancing social cohesion as its coefficient carries positive and statistically significant sign in all specifications.

Table 4
Results of LSDV Model (with Robust Standard Errors)
(Dependent variable: inter group cohesion)

Economic Globalization	1 -.0030*** (0.000)	2	3	4 -.0047*** (0.000)	5	6	7 -.0025*** (0.001)	8	9
Social Globalization		-.0035*** (0.001)			-.0038*** (0.005)			-.0030*** (0.038)	
Political Globalization			.000031 (0.956)			.000025 (0.967)			.0012*** (0.074)
Income Inequality	-.00029*** (0.020)	-.00032*** (0.007)	-.00040*** (0.001)	-.00023 (0.146)	-.00030*** (0.043)	-.00046*** (0.058)	-.00024** (0.058)	-.00024 (0.120)	-.00034*** (0.026)
Education	.00136 (0.885)	.00342 (0.719)	-.00636 (0.519)	.0263*** (0.024)	.0282*** (0.025)	.012 (0.294)	.00961 (0.318)	.0377*** (0.002)	.026*** (0.021)
GDP	.0957*** (0.000)	.1001*** (0.000)	.0564*** (0.025)	.1501*** (0.000)	.143*** (0.000)	.113*** (0.000)	.0968*** (0.000)	.132*** (0.000)	.098*** (0.000)
Civic Activism Inclusion of minorities	.0726 (0.362)	.0290 (0.727)	.0395 (0.641)	.277*** (0.002)	.296*** (0.003)	.238*** (0.008)	.0581 (0.462)	.291*** (0.002)	.222*** (0.004)
Dummy WTO							-.0368*** (0.006)	-.048*** (0.047)	-.082*** (0.001)
cons	-1.494*** (0.005)	-1.587*** (0.003)	-6206 (0.208)	-3.018*** (0.000)	-2.950*** (0.000)	-2.20*** (0.000)	-1.582*** (0.003)	-2.781*** (0.000)	-1.991*** (0.000)
N	334	334	334	237	237	237	334	237	237
R-squared	0.607	0.6088	0.5789	0.737	0.712	0.690	0.618	0.722	0.715

***, ** shows significance at 5% and 10% level respectively; In parenthesis () are probabilities.

V. Conclusion and Policy Implications

The concept of welfare state and its basic social policies are facing new challenges and paradoxical position in debates about globalization. Present study is an attempt to explore the impact of globalization on social cohesion for a panel of 99 countries, utilizing five-year average panel data for the period 1990-2010. Econometric analysis has been conducted by employing LSDV. Results reveal that globalization has significant impact on social cohesion. Globalization is a real threat to social cohesion which may be due to the fact that globalization might be increasing intra state disparities among the people, benefiting only to particular segment of the society, widening the gulf between the beneficiaries of the globalization and victims of globalization thereby reducing social cohesion. Diversity is not a threat to social cohesion and inclusiveness also builds social cohesion. Inequality is also a threat to social cohesion which confirms the hypothesis that socio economic

deprivations retards social cohesion. Furthermore, results divulge that social and economic globalization is threat, not political globalization, to social cohesion. The study suggests that government has to play its role through formulating and implementing policies which help in promoting social cohesion.

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Appendix

Countries included in the study

Albania	Algeria	Argentina
Australia	Austria	Bahrain
Bangladesh	Belgium	Bolivia
Botswana	Brazil	Brunei Darussalam
Bulgaria	Burundi	Cameroon
Canada	Chile	China
Colombia	Congo	Costa Rica
Cote d'Ivoire	Cyprus	Denmark
Dominican Republic		Ecuador
Egypt	El Salvador	Fiji
Finland	France	Gabon
Gambia	Germany	Ghana
Greece	Guyana	Honduras
Iceland	India	Indonesia
Iran	Iraq	Ireland
Israel	Italy	Japan
Jordan	Kenya	Korea
Malawi	Malaysia	Mali
Malta	Mauritania	Mauritius
Mexico	Mongolia	Morocco
Mozambique	Namibia	Nepal
Netherlands	New Zealand	Nicaragua
Niger	Norway	Pakistan
Panama	Papua New Guinea	Paraguay
Peru	Philippines	Portugal
Romania	Rwanda	Saudi Arabia
Senegal	Sierra Leone	Singapore
South Africa	Spain	Sri Lanka
Sudan	Sweden	Switzerland
Thailand	Togo	Tonga
Tunisia	Turkey	Uganda
United Arab Emirates		United Kingdom
United States	Uruguay	Venezuela
Zambia	Zimbabwe	