

Globalization and Public Goods: Too Big to Tackle?

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The massive Russian invasion of Ukraine in 2022 will have unforeseeable effects on the themes addressed here, from international regime change to infra-structural re-orientation to value changes. Here we concentrate on the *positive* cycle of effects globalization has brought about *before* the new war in Europe, mainly economic growth and (some) pressures for democratic development, as well as the *negative* cycle that originates in (relative) economic decline, elite dissent, even failed states and regime change, often in the direction of counter-democracy. The causal links between 13 independent and intervening variables and public goods as the dependent variable are specified in this explanatory sketch. There is need for broadening the view in explaining causal paths between globalization factors and the production of public goods. In doing that we focus in particular on variables like elite dissent, immigration, and new minorities, all three weakening the capacities of states to respond. Further we state that all four: ecological challenges, economic and social inequality and polarization, regime change, and international terrorism can be viewed as to their joint effects on the production of public goods. *Selectorate* theory is crucial. It explains political regimes on the base of the size of the selectorate with large (s)electorates producing *public goods*, as in *democracies*, and small ones only *private* ones, as in *sultanist* regimes and *dictatorships*.

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Introduction

What do the *GTB* have in common? The acronym stands for three prominent losers of globalization in this century: the *Gilets jaunes* (the “yellow jackets”) in France complaining about relative poverty vs. urban inhabitants, high prices for diesel and the absence of infrastructure in the countryside; the true-believers amongst the voters of *Trump*; and the sternest adherents of the *Brexit*. They all point to detriments of globalization and processes of technological developments, to their relative impoverization vis-à-vis the gainers of globalization inheriting the benefits of international trade, technological progress and experiencing demand for their skills.

Rodrik (1997), amongst many others (Stiglitz, 2006), has stated already that globalization does not work everywhere and not for everyone. No doubt, there is a growing division between the winners and losers of international trade and technological progress which, by and large, is estimated to be at least as important as global trade developments. In reality both factors interact.

In this article we address the positive cycle of effects globalization has brought about, mainly economic growth and (some) pressures for democratic development, as well as the negative cycle that originates in (relative) economic decline, elite dissent, even failed states and regime change, often in the direction of counter-democracy. In doing so we point to macro-variables that directly or indirectly have a great impact on the production or

nonproduction of public goods, be they global or national ones. Other explanatory variables for ecological challenges such as resource annihilation, climate change, and global warming, are left out on purpose in this explanative sketch. The same holds for other international factors, such as geography, international conflicts up to war, one of the ultimate global public bads. International terrorism as another one is included here as a consequence of failed states and other factors such as ethno-cultural divisions, suppression of believers of other religions, and institutional failures that account for internal wars as well (Zimmermann, 2014).

Section II presents the model and addresses crucial theoretical explanations for the stated causal linkages. Section III points to implications and caveats of the present analysis with Section IV providing a brief summary of the present endeavor.

Towards a Causal Model of Globalization and Demand for Public Goods

Figure 1 summarizes main causal links between 13 independent and intervening variables and public goods as the dependent variable.

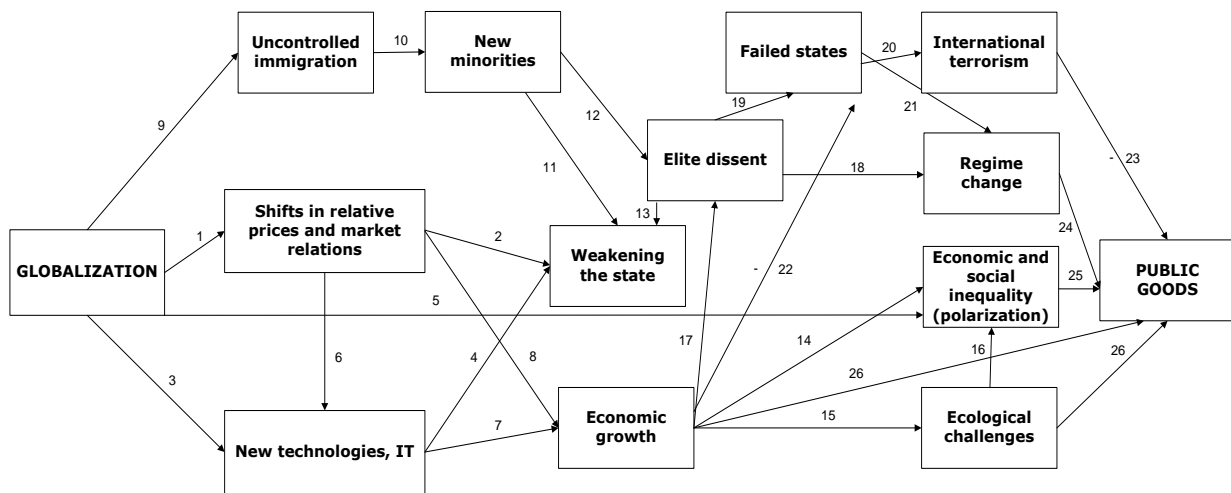


Figure 1. Globalization and Demand for Public Goods.

Without going into definitional and analytical quarrels here, public goods can be defined as goods available to all individuals. Their consumption is not restricted to specific individual use as holds for private goods. This double-feature of non-exclusiveness and lack of rivalry makes for lower incentives to produce public goods. The state or specific organizations have to step in producing such goods. Examples range from national security via common language, statistics and knowledge, institutional settings, procedures of law-making, parts of infrastructure to climatic conditions. International order, treaties, and peace also come to mind. In many instances, some forms of public goods are pre-required for successful production of individual goods.

The Path 1 through Path 4 is taken from Zimmermann (2011) who focuses on how globalization is linked to the formation and persistence of international terrorism.

One of the major effects of globalization is the shift in relative prices and markets (Path 1). This leads to constraints for national governments and weakens the state (Path 2). Globalization contributes to economic and social inequality and thus fosters societal polarization within countries (Paths 5, 7, and 13). Also it does so indirectly, via a weakened state that is no longer able to protect economically disadvantaged groups against global economic challenges.

Path 9 through Path 13 addresses further factors contributing to the weakening of states, namely uncontrolled immigration (Path 9)—controlled selected immigration is a different topic; the formation of new minorities resulting from this (Path 10) and the direct effects of this change in the population setup, Path 11 to an (over)challenged and likely to be weakened state, and Path 12 leading to elite dissent further contributing to the weakening of the state (Path 13).

Economic growth is spurred by the two globalization mediaries, namely shifts in relative prices and market relations (Path 8) and new technologies (Paths 3, 6, and 7). Economic growth, however, does not come without incurring costs. Usually it leads to more economic and social inequality and nourishes polarization (Path 14). The three GTB-cases addressed above are a master case although there are many states which experience higher levels of inequality without such heavy responses. Roland (2004) points to wise rulers that address timely corrections to spread the benefits of globalization also to the losers of the first round to avoid the erosion of societal consensus, in short the decline of regime legitimacy. Right now President Macron is compelled to do just that. It is an open question whether this works in buying off protest or, in asking for more, further nourishes it. On a wider scale this currently is one of the dominant conflict patterns of most European states, reacting to security issues and war, migration, inflationary trends, and shortages of raw materials.

Economic growth also draws heavily on the erosion of natural irreplaceable resources and contributes to ecological challenges (Path 15). On the other hand, in conjunction with technological inventions, economic growth provides the means for reacting more adequately to ecological challenges. There is a tradeoff between economic challenges and economic growth. A balanced path between the two is just as much possible as is a vicious cycle enlarging the challenges and undermining the roots of further economic growth. For reasons of relative parsimony, we have left out any feedbacks in Model 1.

Ecological challenges also feed into increasing economic and social inequalities (Path 16). In sum, economic growth is a strong contributor to the production of public goods (Path 26) provided the costs it incurs are handled (Paths 24 and 25). Economic growth also prevents the occurrence of failed states (Path 22) and thus avoids the negative cycles economic growth can have, starting here from elite dissent and failed states (Path 19). Elite dissent thus can also be brought about by economic growth (Path 17) feeding then into the link between elite dissent and regime change (Path 18).

Here we only draw attention to five partial theories that have to be considered in this context: First, there is the famous hypothesis of Lipset (1959) setting up a link between economic development and the likelihood of democracy or democratization (mediated by factors such as urbanization, higher education, and intermediary organizations). This is not the same: Democratization is sometimes brought about by error in elite judgment as in the democratization of Sweden (1911) or during the collapse of communist rule in Poland (1989). Democratization addresses the *process*, democracy as the guarantee of free vote and the chance to vote your rulers out of office is a *state* of the polity.

Second, Huntington (1984) added the *corridor argument* putting Lipset's arguments into more probabilistic terms: Economic development increases the number of regime options one of which is democracy. Others as in China are the maintenance and expansion of authoritarian rule.

Third, getting back to Lipset (1994) and his final review of his theoretical contribution, what is crucial is the *balance between old elites and new elites*. If the old elites are not willing or any more capable to use repressive means and, further, if they acknowledge that oppositional elites might have valuable knowledge for the survival of the incumbents themselves, they might be willing to hand over power, often in the hope to get back to it in

future elections. Acemoglu and Robinson (2012) draw on this reasoning in distinguishing *inclusive institutions* serving all and *extractive institutions* serving only the elites. Besley and Persson (2018) draw on these ideas in tracing the relationship between democratic values and institutions.

Fourth, feeding into the link between elite dissent and regime change (Path 18), *selectorate theory* is crucial. Thus, Bueno de Mesquita, Smith, Siverson, and Morrow (2003) distinguish between the size of the selectorate and various political outcomes. This reasoning can be tied to typologies of political regimes. Bueno de Mesquita et al. argue that the larger the selectorate, i.e. the greater the number of persons deciding about the candidates to rule, the more likely democracy is to emerge. In democracies ideally the selectorate is equivalent to the electorate. In reality, however, the inner circles of decisive power are constituted by members of the selectorate. More important in the present context is the argument of Bueno de Mesquita et al. that a larger selectorate covaries with the likelihood that public goods are produced. In dictatorships such as sultanistic regimes where one person rules absolutely without any control, only private goods are produced. The sultan can appropriate any private good that is available and has no interest in setting up public goods which would detract from his zero-sum perspective of political power and control (cf. Zimmermann, 2015, p. 181 for a causal model linking sultanist rule, state stability, and regime change).

Fifth, there are five *types of political regimes* to be distinguished here (Linz & Stepan, 1996). We order them in their increasing likelihood of contributing to the production of public goods. *Sultanist* regimes have been mentioned. *Totalitarian* regimes under the control of a politburo have greater interest in acquiring means to solidify the rule of the *nomenklatura* than in focusing on public goods. *Post-totalitarian* regimes release the control grip of the central buro to allow some minor opposition. Thus, claims to public goods and values can be made. According to Linz and Stepan, *authoritarian* regimes differ from democracies only in the restrictions in the political realm. Thus, they very well can contribute to the production of public goods. Regimes turn back to democracies after an interim authoritarian rule, whether domestically imposed or by foreign powers. From their democratic period they can draw on their knowledge from their democratic period as to public goods. *Democracies*, finally, can be said to be essentially focusing on the production of public goods in their requirements for and interaction with private goods production. This is our formulation here, going beyond the typological contributions of Linz and Stepan.

Now we reach the immediate predecessors of public goods production: international terrorism in jeopardizing and destroying it (Path 23), regime change fostering it or not as just addressed (Path 24), economic and social inequality in the form of societal and political polarization (Path 25), and ecological challenges calling for immediate public goods production as a response (path 26), though a lot depends on individual behavior and imposing individual costs.

Steps Ahead

First, there is the need of testing the various bivariate and reduced multivariate links of such a heuristic model. Second, here we focus on *macro-variables* at the global and state level. To explain reactions to globalization, e.g., those of globalization losers, you need to address the *group* level and the *individual* level for understanding the processes of mobilization and in forging a multi-level explanatory model (cf. Zimmermann, 2017 with respect to political violence). Third and crucial for enriching our understanding of the linkages between globalization factors, economic growth, elite dissent, and regime change, is the analysis of the *differentia specifica* between the four immediate factors in the production of public goods spelled out here. Viewing public

goods production without considering these strongly interlinked regime and resource factors likely is to lead to overestimating the capacities at hand in solving global issues and national issues of public goods production.

We have left out here the implications of the Russian war against Ukraine. The war has not yet ended. Solid assessments of the consequences and implications will take longer. It may very well be that some of the causal relationships addressed here will re-appear. Others will be entirely new affected mainly by changes in the international political and economic order as well as by national adjustments.

Conclusion

What do globalization, international terrorism, regime change, democratization, economic and social inequality, and climate change have in common? A neglected and perhaps not so directly obvious perspective is that they all contribute to the production of public goods or fail to do so in creating public bads such as international terrorism, war, economic crises, and ecological catastrophes. Quoting Heraclitus these days that “war is the father of all things” is a perpetual reminder, yet no clear design.

The goal in this very preliminary article is to suggest an explanatory scheme for such a common view outlining communalities and differentia specifica. There is need for broadening the view in explaining causal paths between globalization factors and the production of public goods. In doing that we focused in particular on variables like elite dissent, immigration, and new minorities, all three weakening the capacities of states to respond. Further we stated that all four: ecological challenges, economic and social inequality and polarization, regime change, and international terrorism need to be reassessed as to their joint effects on the production of public goods. Pandora adds the box of war-making and its aftermath.

Selectorate theory is crucial. It explains political regimes on the base of the size of the selectorate with large (s)electorates producing public goods, as in democracies, and small ones only private ones, as in sultanist regimes and dictatorships.

Most of the immediate public goods are national in character. Global climate factors, international law conventions, human rights and free speech, protection of minorities often go beyond the national borders. War-making and peace certainly do. Many of these public goods or bads overlap as to being global or national in character. Finally, to return to the beginning, there is more than monetary alms-dealing in reacting to the perturbances the various processes of globalization create. Understanding basic underlying causal links could be one further step.

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