

Globalization Under the Spells of Breakdowns in Supply Chains, Regime Change, Regime Formation, and Alliance Restructuring: How Much Is Left for Public Goods?

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In a paper conceived about five years ago (“Globalization and Public Goods: Too Big to Tackle?”) roughly a dozen factors were linked to explain important causal paths from globalization to the potential output of public goods. The Russian invasion of Ukraine, the corona epidemic, and the increased hegemonic rivalry between China and the U.S. interrupted or even destroyed many of the linkages between globalization and potential public good production. About five important detrimental paths involved in the meantime. In the present article we aim at linking what is left from the previous level of globalization or emerging to form a new and simplified causal model for likely linkages between truncated or (re-)emerging globalization, and the deadly needed output of public goods. These linkages refer to rules of climate control, go to trade linkages and arbitrary tariffs and trade interventions. Regime change, regime formation, and alliance restructuring address aspects of domestic rule and international stability. *Selectorate theory*, *regime type*, and *exit options* for political elites provide key explanatory factors in explaining globalization and public goods productions, or their decay. Where possible we use some data and transformation experiences corroborating our arguments. In other instances need for further empirical macro research will become clear.

Keywords: hegemonic rivalry, new alliances and bloc formation, de-globalization and re-globalization, selectorate theory, regime type and regime change, elite exit options, public goods

Introduction

In analyses on revolution, one is well-advised to distinguish revolutionary *situations* from the three potential *outcomes for revolutionary attempts*: stalemate, i.e. civil war between two factions—one being pro-revolutionary, the other one counter-revolutionary—the winning of the repressive forces of the state, and revolution as the fundamental change of the political elites, structure of authority and basic mode of the political economy (Zimmermann, 2014).

According to the theorem of comparative cost advantage, as developed by Ricardo (1817), it is advantageous to participate in international trade, even if your cost relations for all potential goods are worse than those of your trading partner. You were to lose even more if you forego the advantages of the division of labor, of free trading of goods, and hopefully of the spreading of knowledge.

According to the Stolper-Samuelson theorem (Rogowski, 1990), the owners of an abundant factor profit

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most from trade expansion and those of scarce factors suffer from the competition in international commerce. This is the result of theoretical deduction and empirical observations. Yet, as countries open up to globalization there are political and geopolitical considerations as well. It's not necessary so that the producers of abundant goods will win internally and externally over other coalitions in the political economy. Thus Rodrik (1997) and others such as Sen (1999) have raised the question whether globalization might have gone too far, especially as to helping and compensating massive losers (Roland, 2000). Also there is the argument of protecting infant industries with potential against dominant competitors.

The Russian invasion of Ukraine in 2022, the corona epidemic from 2020 on, and the increasing global rivalry between the U.S. and China interrupted or even destroyed many of the linkages between globalization and potential public good production. In section II we briefly touch on the breakdown of supply channels and their causes. Section III more systematically develops a heuristic causal model on major likely cases and linkages addressed in the title of this article. Section IV focuses on *selectorate theory* and *exit options* for political elites as key factors in explaining globalization and public goods productions or its decay, respectively. Section V as a summary looks at three different sets of conditions for scenarios that might evolve, and mentions further steps for research.

Public goods are defined as goods available to *all* individuals within a respective community. The consumption of public goods is *not* restricted to specific individual use as holds for private goods. The double-feature of non-exclusiveness and lack of rivalry makes for lower incentives to produce public goods. It calls for the state or special organizations to step in (Zimmermann, 2022a).

A First Look at Detrimental Paths between Globalization and Public Goods

At least five important such detrimental paths evolved over the last decade: (1) Rivalries between hegemonies and geopolitical shocks lead to war-making as in Ukraine and threaten war as a means to incorporating Taiwan into mainland autocratic or even dictatorial China (path 1 in Figure 1 below). (2) These rivalries and shocks have fed into shortages of raw materials (path 2), in particular scarce ones, and (3) nourished inflationary shocks on both sides, on the supply side as well as the demand side where there is enough financial liquidity to pay for needed raw materials (paths 3 and 4). This holds at least for the economically high-developed countries. (4) The corona epidemic likewise caused massive breakdowns in supply chains, be it goods, transport means, or workforces. All this has nourished economic contractions. (5) Government intervention, raising tariffs, and economic boycotts complete the picture. Breakdowns in supply chains (path 6), rivalries between hegemonies (path 7), and geopolitical military shocks (path 8) were the immediately contributing factors to de-globalization.

In a paper conceived about five years ago and later published (Zimmermann, 2022a), we link about a dozen factors to explain important causal path from globalization to the potential output of public goods. These factors comprised: elite dissent, failed states, and regime change; international terrorism; economic and social polarization and ecological challenges. Here we intent to go beyond that model.

Towards the Development of a Heuristical Causal Model in Linking Failing Globalization to Decline in Public Goods Production

The causal model in Figure 1 is a rough heuristic grouping of immediate and more indirect linkages between de-globalization and the decline in public goods production.

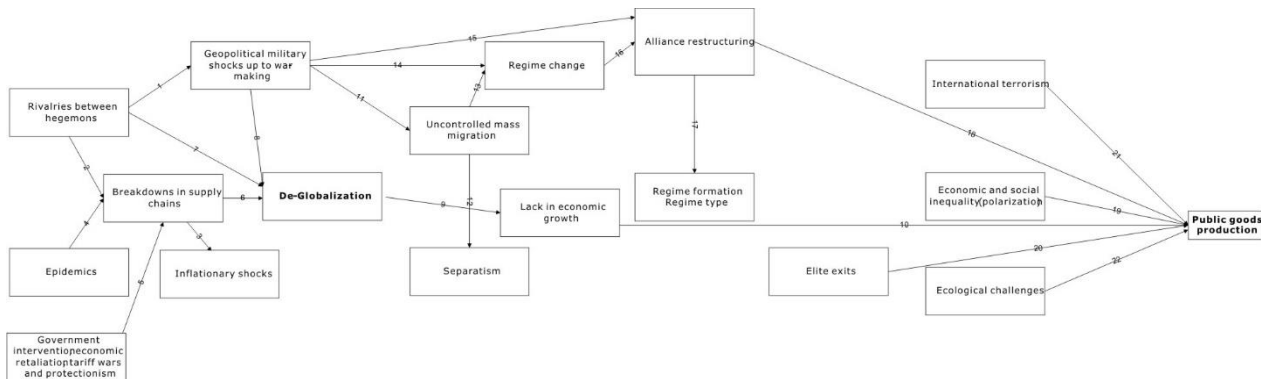


Figure 1. Key Variables for Globalization under Stress and the Chances for Public Goods Production.

In a strict sense there seem to be only two global public goods: climatic stability and prevention of atomic war, both operating through immediate destruction and their fallout effects. If all tariffs and trade hindrances and distortions were done away with we would have a third global public good. Yet, as indicated for some countries at the peripheries of international trade with total economic dependence their outcome could be close to a public bad, at least for some years.

More public goods are national in character, e.g., the setups of institutions and national services or the state monopoly of violence. Also one would encounter many feedbacks and causal linkages between such public goods.

Paths 1 through 8 all contributing to de-globalization have already been addressed in the previous section. Here we move on to factors emerging from geopolitical military shocks and de-globalization. The linkages between the remaining factors mentioned in Figure 1 can shortly be addressed: all contribute to failures in public goods production. There is the effect on declines in economic growth (path 9) and the ultimate dependent variable (path 10). The economic pie simply shrinks and fewer resources will be available for public goods production. War-making, the ultimate public bad, makes for uncontrolled mass migration (path 11) and ultimately separatism (path 12). Uncontrolled mass migration also contributes to regime change (path 13) further and directly nourished by geopolitical military shocks (path 14). Alliance restructuring is a direct effect of regime change (path 16) and, of course, of geopolitical military shocks (path 15), and in itself has an effect on regime formation and regime type (path 17). Note that we treat regime change separately from regime formation here. The latter implies an entire new set-up of a state whereas regime change always implies the persistence of some older structures. Both are linked to regime type (Linz & Stepan, 1996).

To come to an end with factors immediately contributing to deficiencies in public goods production there are linkages from alliance restructuring (path 18), from economic and social inequality, i.e. polarization (path 19), from elite exits (path 20), international terrorism (path 21) and from ecological challenges (path 22).

One could also express most of these factors in terms of supply side shocks such as regime change and regime formation and demand side shocks such as uncontrolled mass migration. Here, we stick to the terms of political science and likewise specifications.

Many more variables and linkages could easily be added making such a model even more un-specifiable in statistical terms. Any such model is simply overdetermined. Whether it will be useful is another matter. Also feedback effects are left out focusing here only on the most likely dominant causal direction. In many of these variable linkages there is simply a trade-off between monetary resources that used to be available and are now squeezed out due to various shortage phenomena. Further, all the variables mentioned here are macro-variables

that have macro effects (as well as effects on the individual level). Individual decisions and micro variables on leadership behavior are, of course, most crucial but not incorporated here.

Selectorate Theory and Regime Change

Selectorate theory provides many insights on the group level or individual level pointing in many ways to variables addressed here. Only a few causal linkages can be mentioned. Anything that has to do with regime type or regime change in Figure 1 should be diagnosed on the background of the work of two groups of authors: Linz and Stepan (1996) provide a suggestive typology of regime types: *democracies* and *authoritarian regimes* (with only closed political features, but a guaranteed civil society, modeled along the Spanish type prior to the transformation into democracy in 1975), *post-totalitarian regimes* (with very small political openings), *totalitarian* ones and *sultanistic regimes* lacking any political structures beyond the sultan's will. Add *selectorate theory* to these considerations. Selectorate theory overlaps with the work of Linz and Stepan, yet is more deductive. Bueno de Mesquita, Smith, and Siverson (2005) who developed selectorate theory point to one key variable, the *size* of the selectorate, i.e., the people who have a say in selecting political leaders. The larger the selectorate the more per definition democracy is approached and the more likely criteria of public goods production play a role. Take the smallest selectorate in the sultanistic regime where the sultan on purpose provides for no rule of succession or control of his will. He can disappropriate any private goods and has absolutely no incentive to invest in the production of public goods. Arguing that, from time to time, there might be a benevolent sultan who cares for his subjects misses the point. The majority of cases from Ceaușescu to Idi Amin, from Assad to Kim in North Korea speak clearly to the prevalent negative cases.

Thus, in the sultanistic type of regime one should expect even greater damage from failures and shortages in the factors addressed in the present causal model, both in terms of suffering of the population and in particular of the non-production of public goods. Also in sultanistic regimes there are hardly any auspices as to change to a better form of political rule. Linz and Stepan stress that the successor of the sultan usually comes from his entourage, yet must create the image of not being linked to the misdoings of his predecessor.

The size of the selectorate is crucial for the emergence of a specific political regime type. Reversely, the political regime type reaffirms the size of the selectorate as well as the chances of producing public goods.

Decisions by dictators are detrimental as to producing public goods or avoiding a massive public bad, namely war. Massive public revolt against war-making in a dictatorial regime is rarely to be expected. The costs of organization and counter-mobilization are much too high in a repressive regime with a tight grip on the security forces and the media. Shortly after the invasion of Russia in Ukraine, the prediction by June 2022 rather was that the Putin regime would, if at all, fall most likely from interventions on the part of the *selectorate* (Zimmermann, 2022b). Whether we are right is, of course, an open question. In a series of events decisional elements can hardly be predicted. What can be predicted is that the demise of the Putin regime must come from a break in the elites (the recent mutiny of the Wagner group most likely was not enough) and *exit options* for falling regime elites. Also political elites and counter-elites must perceive personal exit options whether they were to engage in oppositional activities or not.

Under the Putin regime the basic political-economic pact was: we the rulers provide enough of goods for the masses and in particular for rich oligarchs as long as both stay out of politics. As long as there is no manifest challenge on the part of regime opponents, such a game-set can prevail for a long time even with deteriorating cards for the ruler. This is the core of the argument of Kuran (1995) that revolutionary challenges cannot be

predicted, in particular as they develop through emotional cascades. Survival of potential elites is one aspect; their active engagement in regime turnover is an even more decisive task. Democratic regimes manage the turnover of elites, their survival and allow even for a come-back and thus check political errors at much lower costs and provide for (some) public goods. This is the unique advantage of this type of political rule. Yet, even here Aristotle (2008) comes to mind with his differentiation into the number of rulers (one, a few, the masses) and the deterioration of a moderate form of rule into a degenerate one thus producing a sequence of different types of political rule.

Scenarios

What would follow from our analysis? One can make predictions based on the score of independent variables. Yet, as to decisions reached by political leaders one can only speculate. Odd decisions occur against all reasoning from outside the immediate leaders' entourage, not to mention foreign countries' points of view.

First, there is the *benign* model of a rational economic cost/benefits calculus, meaning here to go for refined globalization (James, 2023; *Economist*, 2023) and continue with a growing economy. Many economies were indeed growing in meeting the urgent needs of the population after massive setbacks and crises. This is shown by recent data and recovery analyses after major financial setbacks (James, 2023), be it major wars or recessions. Yet, success in world economic terms comes only at gigantic efforts as to engaging in and implementing technological progress and improving in education matters, all this at best freed from political ideologies counter-acting the market forces where they would be the better advice. China right now presents this struggle between maintaining internal political control as well as cementing it externally. Yet, comprises between the Xi administration and more open Chinese economic experts as well settling for external compromises to maintain established supply lines or finding and stabilizing new ones may be the more adequate perspective.

There are strong forces of resilience as shown in a number of advanced economies and others. Deferred consumption and investment, new infrastructure measures, potentially cheaper and better linkage lines through competition amongst old and new suppliers, turn new linkages into new markets with new alternatives.

Old connections break down, e.g., through the invasion of Ukraine. Yet, new ones emerge forging new linkages of globalization, e.g., in military supply lines and reassuring markets for international competition (e.g., by betting on immigration of qualified workers). In terms of political rivalry, "de-risking" is the slogan of the EU commission instead of disengaging from globalization ("de-coupling").

The *hegemonic rivalry* model perceives everything under the spell of maintaining or improving one's position as a rising hegemon or vis-a-vis an acting hegemon, as characterizes the Chinese point of view. Even in view of the present military and global economic challenges, a future position meeting any those challenges looks unrealistic for the EU. The EU is still at maximal disharmony as to challenges and responses to the geo-political issues, military defense strategies, and the ideological diversity issues it faces, e.g., on migration, on agricultural policy, on which technologies to give priority to.

Democracies in many respects, e.g., in terms of economic performance, are at least as good, if not massively better, compared with autocratic states. This holds especially in the long run when a "benevolent" autocratic ruler is followed by a corrupt one or oligarchic rule reminding us of the system succession theory of Aristotle.

The third likely model is the *formation of new alliances* and/or the reforming and strengthening of older ones, e.g., the EU with U.S., NATO incorporating new members, or the Chinese bloc with its opposition to the G7 club of nations. Their effect on the hegemonic struggle is unclear at the moment. Economic indicators

document a substantial support for respective hegemonies and their alliances, be it the EU and NATO as to U.S. hegemony, or the South-Asian pacific alliance forming against China, or the union of central Asian states moving away from failing Russia to expanding China.

Internal crises and crises experiences with a censured life under corona, with massive bank failures, housing bubbles, and bankruptcies are in the long run more likely to be better handled in open societies. Yet, autocracies can survive for long, most likely on the repressive card but also on caring for some needs of the population. In the long run due to lacking error correction within closed systems, at best a second-best strategy of adjustment is to be expected. If you detract the—somewhat waning—success of the “flying goose”—economic growth pattern in South East Asia there is little to be said for autocratic economically efficient rule. Krugman (1994) even speaks of simple catch-up growth. Other authors though paint more challenging scenarios that those economies may present to Western political-economic models.

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