

# **Does Global Business Have a Responsibility to Promote Democracy?**

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# 1. INTRODUCTION

A central theme in the literature is the justification of CSR.

- Donations to public or social sector organizations
- Direct provision of goods and services
- Activities lacking obvious commercial benefit

Limits to corporate financial performance as justification

- Empirical evidence (Margolis and Walsh 2003)
- Independent considerations

*Does the promotion of democratic institutions provide a plausible justification for some subset of CSR activities on the part of large-scale multinational enterprises (MNEs)?*

# 1. INTRODUCTION

## Outline

- Defining democracy
- Basic argument
- CSR activities to promote democracy
- Unjustified interference

## Questions

- How demanding?
- Limits to the promotion of democracy?

## Contribution to broader debates

- Promoting standards that differ from that of the host country
- The form and justification for CSR

## 2. DEMOCRACY

### *The Universal Declaration of Human Rights, Article 21*

- *Everyone has the right to take part in the government of his country, directly or through freely chosen representatives.*
- *Everyone has the right of equal access to public service in his country.*
- *The will of the people shall be the basis of the authority of government; this will shall be expressed in periodic and genuine elections which shall be by universal and equal suffrage and shall be held by secret vote or by equivalent free voting procedures.*

### Electoral, rather than liberal, democracy

- Participation
- Opposition
- Minimum levels of freedom

# 3. IMPOSING RISKS

Business activity and risks to third-parties

Pollution

- *Aguinda v. Texaco, Inc.*
- Need not rely on judgment of value incommensurability

Inequality

- MNEs associated with greater inequality (Basu & Guarigalia 2007)
- Relative income and well-being (Ferrer-i-Carbonell 2005; Frank 1987; Luttmer 2005)
- Subjective or objective conception of well-being

# 3. IMPOSING RISKS

Risk of harm as a *prima facie* wrong

- Lack of respect for the interests of another

What makes risky activity permissible?

- Degree of necessity
- Possibility to avoid harm
- System to seek protection and redress

Electoral democracy as a system of protection and redress

- Political system external to market
- Representation and accountability

Fairness as an additional consideration

# 4. PROMOTING DEMOCRACY

Are there CSR activities to promote democracy?

- Activities focused on human capital and capacity-building
- IKEA funding of bridge schools in India (UNICEF 2005)
- Anglo American and HIV/AIDS in Africa (UNAIDS 2005)

Core business competencies

- *Reader's Digest* in apartheid-era South Africa (Seidman 2003)
- Internet service providers

Internal policies and activities

- Combating corruption (Doh et al. 2003)
- Participation and non-discrimination

# 5. UNJUSTIFIED INTERFERENCE?

A common objection is that the promotion of democracy involves unjustified interference.

- Normal CSR and business activities

One interpretation:

- The MNE denies the host country sovereignty in determining its own standards with regard to trade-offs to be made in economic activity.

Response:

- Imposition of standards v. attaching standards as a condition
- Conditionality a feature of economic transactions
- No duty to provide benefit

# 5. UNJUSTIFIED INTERFERENCE?

Remaining objection:

- Democracy is not the sort of standard that is appropriate to attach as a condition of economic activity.

Response:

- Objection to democracy under a specific set of circumstances
- Objection to liberal, rather than electoral, democracy
- Other human rights standards as appropriate conditions
- Questions about democracy as a human right

# 6. CONCLUDING REMARKS

## Questions:

- How demanding?
- Limits to promoting democracy?

## Promoting standards that differ from that of the host country

- Working conditions
- Imposition of standards v. standards as a condition
- Objection to standards v. standards under specific circumstances

## Two conceptions of CSR

- CSR to compensate for lack of robust background institutions
- CSR to establish robust background institutions

# 1. INTRODUCTION

Multinational enterprises as “agents of justice” (O’Neill 2001)

- Responsibility to help establish conditions of justice in states that lack the means for just domestic arrangements (“burdened societies”)
- Examples: schools, local infrastructure projects, and health care

Justice as fairness assigns a natural duty to persons to support and to further just institutions (Rawls 1971/1999).

- Comply with and do our share in just institutions that apply to us
- Help to establish just institutions if can be done at little cost to self

Natural duties apply to persons independently of their voluntary acts or institutional obligations.

# 1. INTRODUCTION

The Law of Peoples assigns a duty of assistance to members of well-ordered societies (Rawls 1999).

- Help establish conditions of justice in burdened societies

These duties open the way for arguing that multinational enterprises ought to serve as agents of justice.

- These duties apply to managers alongside their other responsibilities.
- These duties apply to shareholders and managers as their agents (Rodin 2005).
- There are conditions under which managers are best positioned to discharge these duties on behalf of shareholders (Hsieh 2004).
- These duties apply to corporate entities directly.

## 2. DEMOCRACY

Three types of correlative duties:

- Duty to avoid depriving persons from exercising rights
- Duty to help protect persons from deprivation of exercising rights
- Duty to aid persons who are deprived in exercising rights

The third duty is a duty to assist, but only the first two duties apply to MNEs (Donaldson 1989).

More generally, unless there is a compelling business rationale, many accounts of managerial responsibility preclude the provision of assistance (e.g., Jensen 2002).

# 2. DEMOCRACY

## Electoral democracy

- Opposition (organized contestation)
- Participation (right to vote and contest office by all adults)
- Minimum levels of freedom (speech, press, assembly)

## Liberal democracy

- Accountability (e.g., military under elected civilian officials)
- Executive power constrained by other government institutions
- Significant opposition vote
- Multiple channels for expression and information
- Substantial freedoms (belief, opinion, speech, publication)
- Liberties protected by independent, nondiscriminatory jury
- Rule of law protects citizens

(Diamond 1999)