

PROMOTING DEMOCRACY: A ROLE FOR GLOBAL BUSINESS?

Business Ethics in a Global World

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March 2007

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1. INTRODUCTION

What role, if any, should large-scale multinational enterprises (MNEs) play in promoting democracy in the countries in which they operate?

Potential areas of controversy:

- Respect for state sovereignty
- Democracy as a universal value
- Positive responsibilities on the part of MNEs

Broader debates:

- Global corporate social responsibility
- The appropriate relation between business and political institutions

2. DEFINING 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)

3. ONE APPROACH

Takes as a starting point a duty to help establish justice in weak or rogue states (e.g., Rawls 1999).

- Applies to citizens of developed economies and their governments
- Electoral democracy as a feature of a just society

Conditions under which such a duty applies to MNEs

- MNEs themselves are “agents of justice” (O’Neill 2001).
- MNEs are best positioned to discharge the duty on behalf of shareholders (Hsieh 2004, 2006).

Potential objections

- Debates about justice and the requirements of global justice
- Fails to capture fully the intuition that if MNEs have positive responsibilities in a country, they are special responsibilities in virtue of operating there

4. THE LICENSE TO OPERATE

It seems that an MNE owes the people of the host country, at a minimum, to obtain a license from their government to operate in the host country.

- Not only a practical consideration
- Also a moral consideration

One consideration is that the government claims legitimate authority to regulate the impact of the MNE's operation in the host country.

- Enforcement of minimal standards
- Distribution of benefits and burden of economic activity

By obtaining a license to operate, the MNE meets some minimally acceptable standard on the part of those whose interests they affect by operating in the host country.

4. THE LICENSE TO OPERATE

What if the government's claim to legitimate authority in the host country is unfounded?

More generally, what if the MNE has good reason to believe that the government does not adequately represent the interests of the persons affected by its operations in the host country?

In situations such as these, assuming that the MNE seeks to benefit from operating in the host country, what course of action should the MNE pursue?

4. THE LICENSE TO OPERATE

One possibility is to act in ways consistent with how it would operate were the government legitimate or representative.

The difficulty with this approach is that it does not fully capture what is involved in exercising authority.

This leaves a second possibility, which is to help ensure that the government's claim to authority is in fact legitimate.

Insofar as democracy is required for a government to qualify as legitimate and representative, then MNEs have some responsibility to promote and not to undermine democracy in the host countries in which they operate.

5. SOME OBJECTIONS

Objection: Democracy is not required for legitimacy.

Possible responses:

- The objection may be to liberal democracy rather than electoral democracy.
- The Universal Declaration of Human Rights, Article 21 recognizes electoral democracy as a universal right.
- To what extent does the legitimacy of the modern market system depend upon a set of well-functioning, democratic institutions?
- If managers of MNEs regard democracy to be of value, then unless there is a good reason not to treat others as though they have a right to democratic rule, should managers presumptively treat others as though they have that right?

5. SOME OBJECTIONS

Objection: MNEs ought to take political institutions as given.

Possible responses:

- MNEs already engage in various forms of political influence.
- Promotion of democracy need not occur without government approval.
- The range of activities that qualify as democracy-promoting is wide. Democracy may be best promoted by improving economic well-being.
- At a minimum, democracy-promotion involves refraining from activities that undermine the functioning of democratic institutions or the possibility of their development.

5. SOME OBJECTIONS

Objection: MNEs are not in a position to judge whether a government is legitimate or adequately representative.

Possible responses:

- We should distinguish between second-guessing an authority when one is subjected to it and making the decision to subject oneself to an authority. The latter does not involve second-guessing an authority.
- If the objection is that moral judgments are subjective, then this objection is about the nature of morality more generally.

6. CONCLUDING REMARKS

Broader objections:

- Even if the promotion of democracy is a responsibility for MNEs, are there other considerations that count against its promotion?

Further questions:

- Does this account apply to local business enterprises?

At a minimum, managers of MNEs have a responsibility not to take political regimes as a given and to ignore the impact of activities on their democratic development.

The account aims to emphasize the need to acknowledge and analyze the impact of economic activity on political institutions.