

De-Compacting the Global Compact

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De-Compacting the Global Compact*

By announcing the Global Compact, Secretary-General Kofi Anan has set the world a tall, tall task. Indeed, the remarkable ambitiousness of the Compact project is matched only by the remarkable stakes it holds for all of us. I want here to explore the sorts of value-oriented justifications necessary to make this tall task at least a theoretical success. What justificatory account is required to support the Compact adequately? I propose that any such account must ascend eventually three distinct rungs of a “ladder of justification.” The three justificatory rungs are, first, “egoism”; second “cooperative egoism”; and third, “citizenship.” To justify the full Global Compact, companies must somehow be capable of reaching the third, and most difficult, rung.

Rung #1 is simply corporate “egoism.” That is, some principles of the Global Compact can be justified by showing that following them will make a company more money, assuming at least that doing so doesn’t cause significant auxiliary harm or violate other key ethical principles. Consider the claim embedded in Principle #8 that companies should “undertake initiatives to promote greater environmental responsibility.” In the

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explanatory notes to principle #8, it is claimed that “Investing in production methods that are not sustainable, that deplete resources and that degrade the environment has a lower, long-term return than investing in sustainable operations.” Here we have a justificatory no-brainer, or at least a small-brainer. The battle at this rung of justification is entirely empirical, and theoretically winnable.

However, we are wise to pause and reflect on the difficulty of getting the studies we want, not only because the facts may not turn out as we like, but because of the logical problems surrounding certain elements of the Compact and that form of justification. To take only one example, consider the issue of human rights. A key aspect of a right, as the Political Philosopher Ronald Dworkin, notes, is that it constitutes a trump over interests or goals (Dworkin 1979). If free speech is a right, one cannot justify violating it by showing that by violating it a person or people will be better off. Because they are trumps, rights cannot be hostage to consequences, collective or individual. Put simply, one should honour a right because it is the right thing to do--*period*. This deontic, unconditional nature of a right means that if a company’s honouring a particular right, say the right of workers to bargain collectively, does *not* advance the long-term self interest of a particular corporation, the right must *still* be honoured.

Hence, rights in general, by their nature, cannot be justified by this first rung of the justificatory ladder.

Consider a similar, but non-rights example from the *Compact*, namely, principle #2's requirement that corporations not engage in acts of bribery or intimidation that undermine the host country's political or judicial system. Unfortunately, it is logically possible that an individual act of bribery or intimidation by company XYZ might BE in the long-run self-interest of XYZ's corporate shareholders.

It follows that to justify rights and other important precepts of the nine principles, we must move to the second rung of justification.

That rung is "Cooperative egoism." Adam Smith (Smith 1976) never anticipated the modern corporation or its grand role in a global market. Yet most of his arguments for the superiority of the market still stand—so long as the very backdrop of ethical cooperation and government's selective involvement he endorsed occurs at a global level. Consider the importance of ethical cooperation to markets. What I've called the "efficiency hypernorm" elsewhere (Donaldson and Dunfee 1999) requires corporations to cooperatively adhere to those principles necessary for systemic market efficiency. In 2002, as I write this essay, the United States is reeling from such failures today. Blocking transparency and providing systematically

misleading information to investors makes transactions less efficient, as in the instance of the dot-com bubble or of the many Enron/WorldCom/Qwest scandals. Other principles falling under the “efficiency hypernorm” include:

1. Respect for intellectual property.
2. Engaging in fair competition and avoiding monopolies
3. Avoiding nepotism and “crony capitalism.”
4. Not abusing government relationships
5. Avoiding bribery
6. Respecting environmental integrity.

All companies have a stake in the efficiency of the economic system in which they participate, and if companies cooperatively follow certain principles, most will be better off. Prisoners’ dilemmas, and the failure of Amartya Sen’s Paradox of the Paretean Liberal are thus avoided. At least four of the principles just mentioned are key components of the global compact, and thus find potential justification in “cooperative egoism.” Examples would include Principle 2’s honouring the right of governments to have legitimate political and judicial systems by not undermining them through intimidation or bribery. Under cooperative egoism, companies

cooperate around norms such as those in the Global Compact to secure their collective advantage.

But the task of the Global Compact is taller than even these two rungs can reach. Justification of the full Compact means reaching Rung #3 or “corporate citizenship.” This is the toughest and requires what Lee Preston and others have called “a redefinition of the corporation.”

Consider the inadequacy of rungs one and two, i.e., egoism and cooperative egoism, when it comes to many requirements of the Compact. For much of the Compact seems to require not only enlightened self interest, but heart. Principle #1 asks corporations to honor rights to basic health, education and housing at least when operations are located in areas where these are not provided. This means corporations should sometimes reach out to boost the welfare of workers to some threshold human standard. The rights here, i.e., to minimal housing and food, are known by theorists as “positive” rights rather than “negative” ones. Negative rights, such as the right to free speech, only require that others abstain from violating them, but positive rights require more than abstention, they require that people and corporations actually *do* things, perhaps sometimes even build houses, and provide education for workers.

And the Global Compact does contain a number of norms that ask companies at least sometimes to *do* things. For example, in Principle #9 the Compact asks that companies “encourage the development and diffusion of environmentally friendly technologies, and communicate with stakeholders about the environment.” And in Principle #3 the Compact asks that companies provide facilities to help worker representatives carry out their functions.

Moreover, the trumping nature of rights, noted earlier, means that the Compact holds companies responsible for honouring a given right *even if* it cannot be shown that doing so serves the egoistic or cooperative egoistic advantage of most companies. The Compact is asking companies to do many things simply because *they are the right thing to do*. Here we must appeal directly to value theory, for it is values that are at stake. Jim Post put it well when he said “Global business is about *value*; global corporate citizenship is about *values*.” (Post 2002)

It is clear that from the standpoint of the Global Compact the conception of the corporation must be a stakeholder one, not merely a stockholder one. The interests of constituencies other than shareholders, such as labor and customers must be taken as having intrinsic worth, as

being valuable in themselves, and the goals and mission of the corporation must reflect that plurality of interests.

How do we justify this new conception of the corporation as a Global Citizen? The answer is too long to sketch here but it will surely follow lines of research and analysis already in evidence. Social contract theory, along lines first charted by John Rawls and in evidence in much current business writing, is promising in explaining the evolving social contract between global corporations and the global citizenry that the Global Compact recognizes. The very name “Global Compact” suggests a hypothetical, implicit, social contract.

And then there is the traditional justification for rights, justification that can be easily be adapted to the Social Compact. Henry Shue’s method is well respected, for example, and involves beginning with a handful of basic rights that everyone accepts, and then systematically determining which additional rights are necessary for the maintenance of the basic rights. Thus the less fundamental rights become legitimized through their connection to the more basic rights.

I do not mean here exhaustively to canvas the kinds of normative justifications that might be used to support the third rung of “corporate citizenship.” I mean only to show that some such justification is finally

necessary for the social compact, and that some obvious candidates for justificatory mechanisms are standing in the wings.

I have sketched the ladder that we must climb. For those who, as I do, think the Global Compact has merit, the next task is to climb it.

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