

# FROM THE STATE OF NATURE TO CORPORATE SOCIAL RESPONSIBILITY

*The Social Contract of Corporate Political Roles and Responsibilities*



*(Picture: «Structure of Chaos» by Piet Snoeren)*

**Master Thesis:** MSc. Business Administration & Philosophy

**Author:** Alexandre M.S. Hjorth-Johansen (student number: 107735)

**Supervisor:** Prof. Jeremy Moon

**Content:** 74 pages, 167 060 Characters

**Submitted:** 15.05.18

## **TABLE OF CONTENTS**

<b>ABSTRACT</b> .....	1
<b>INTRODUCTION</b> .....	2
<b>SECTION 1: CAN SOCIAL CONTRACT THEORY BE APPLIED TO CORPORATIONS?</b> .....	4
<b>Social Contract Theory Explained</b> .....	4
<b>The Politicization of Corporations</b> .....	6
<b>Corporations as Rulers and Ruled</b> .....	9
<b>Contract Theory Applied: The State of Nature</b> .....	9
<b>Contract Theory Applied: The Social Order</b> .....	10
<b>Methodology and Literature Choice</b> .....	12
<b>Summary</b> .....	14
<b>SECTION 2: FROM THE STATE OF NATURE TO A SOCIAL ORDER</b> .....	16
<b>The State of Social Disharmony</b> .....	17
<b>The Destructive Social Order</b> .....	19
<b>The State of Unsociable Sociability</b> .....	22
<b>Summary</b> .....	26
<b>SECTION 3: THE RISE OF RESPONSIBLE CAPITALISM</b> .....	27
<b>The Era before Markets</b> .....	28
<b>Dystopian Capitalism</b> .....	31
<b>From Small businesses to Enterprises</b> .....	32
<b>Enterprises as Bodies of Political Power</b> .....	34
<b>Who Is the Leviathan?</b> .....	36
<b>The Double-Movement as a State of Nature</b> .....	39
<b>Self-regulating Markets and Natures' Plan</b> .....	42
<b>Summary</b> .....	45
<b>SECTION 4: MODELS OF PARTICIPATION</b> .....	47
<b>Corporation and Citizenship</b> .....	47
<b>The General Will through Participation</b> .....	49
<b>Participation and Deliberation</b> .....	51
<b>The General Will through Representation</b> .....	52
<b>The Legality of Soft-Laws</b> .....	53
<b>Ideals against Praxis</b> .....	57
<b>Summary</b> .....	57

<b>SECTION 5: THE FOUNDATIONS OF CONVENTIONS .....</b>	<b>59</b>
<b>Economic and Legal Justification .....</b>	<b>60</b>
<b>Social Justification .....</b>	<b>62</b>
<b>Ethical Justification .....</b>	<b>64</b>
<b>Utility's Place .....</b>	<b>66</b>
<b>Passions against Reason .....</b>	<b>67</b>
<b>The Issues of Moral Imperialism .....</b>	<b>68</b>
<b>Summary.....</b>	<b>69</b>
<b>CONCLUSION &amp; LIMITATIONS.....</b>	<b>71</b>
<b>REFERENCES.....</b>	<b>75</b>

## ABSTRACT

This thesis aims at defining corporate political roles and public participation in the framework of social contract theory. With Thomas Hobbes', Jean Jacques Rousseau's and Immanuel Kant's thinking as the main reference, we will investigate the development of corporate political roles and participation, firstly by analyzing the notion of a state of nature – a hypothetical scenario in which a legitimized body of power is lacking. We will imagine an economic system without any higher authority, before suggesting potential bodies of power. Secondly, the theory of “the state of nature” will be applied in the analyses of the conflicts in which corporations find themselves against actors of civil society. The concept of the state of nature may help discern the mechanisms, causes and motivations behind the transition into a social order, a process that in turn leads individuals (in our case corporations) into a social order. Different forms of government, presented by the philosophers (or theorists), will be applied as “models of participation”, where corporations are active in the policy-making process. Based on the discerned motivations and mechanisms derived from the state of nature and impulses from the social order, we will suggest normative criteria for justification of conventions, namely corporate norms and policies

## INTRODUCTION

In line with globalization and privatization, corporations have grown in power and gained enhanced political roles and responsibilities. Social contract theory defines contractual agreement between individuals as basis for morality and norms, which we will use as a background for establishing a theoretical groundwork behind corporate political roles and citizenship. This theory emphasizes what may legitimate power, individual motivations, and pre-conditions for the forming of social contracts. The latter will be analyzed in the philosophers' differing concept of "the state of nature". We will also present the basic differences in their way of reasoning and unveil how this may lead to contrasting analyses and conclusions, and thus to different forms of social contracts. The conflicting aspects will also be discussed in light of corporate participation in political processes.

*Research question 1: Can theoretical perspectives of social contracts be applied to analyses of corporate political roles?*

The answer is affirmative, and we will present the argument by linking the application to the framework of corporate citizenship. This way, we can see the corporation as a citizen and political actor, and thus open for theoretical political analysis.

*Research question 2: What is "the state of nature" in regard to corporations and markets? How can the eventual relations help us analyze social conditions and conflicts that corporations may find themselves in, with or within civil society?*

The state of nature is a hypothetical scenario, in which institutionalized norms and power are absent. Jean Jacques Rousseau sees this condition as an ideal state of freedom from inequality and conflicts, while Thomas Hobbes and Immanuel Kant regard it as a source of potential conflicts, bringing out the worst in individuals. Both hypothetical scenarios will be discussed and applied to analyses of corporate political roles. Conflicts between factions in society, such as the markets (corporations) versus civil society, will be analyzed in light of similar framework.

*Research question 3: How can this framework help discern the causes and forces behind the developments of corporations' roles, but also the motivation for forming social contracts.*

Through analyses of the state of nature, it is possible to discern various theories about corporations' nature, regarding both their interests and motivations. Motivations are crucial in determining the emergence of social contracts. In the case of Hobbes, who historically has been a proponent of absolute power, motivations related to individual self-interests take a crucial part in forming and legitimating the covenants' power. It is possible to point out various forms of "Leviathans" (artificial bodies of undisputed power, as defined by Hobbes), regulating the market.

*Research Question 4: What types of model of participation can we discern from these different social contracts?*

Contrary to Hobbes, Kant and Rousseau suggest democratic solutions, which can provide a platform for analyzing corporate political participation that usually takes place in democratic contexts. Kant suggests a republican form of government as the ideal alternative to the conflict-ruled state of nature. Rousseau, on the other hand, sees the democratic system as a mean to regain humankind's freedoms, which were removed by the implementation of a social order. These views will be explained and compared, before being applied to corporations within the concept of corporate citizenship.

*Research Question 5: What are the criteria for justifying and legitimizing a convention?*

As firms usually participate in political processes both inside and outside official political institutions, it is relevant to apprehend the meaning of responsible and good conventions, as well as different aspects of legitimization. This will be done, based on the ideas of justification held by each of the thinkers. Justification may be seen both as individual motivations derived from the state of nature, as well as the motivation and ethical justifications of the social contract.

The theoretical contractual perspectives of the three thinkers will be compared and then analyzed in contexts of contemporary business literature, primarily works about Corporate Social Responsibility (CSR). The research question will be answered with a comparative analysis of the theories applied to corporations. Thus, the thesis focuses on a social contractual analysis of corporate political activities, by inserting political theory and philosophy into the realm of business studies.

## SECTION 1: CAN SOCIAL CONTRACT THEORY BE APPLIED TO CORPORATIONS?

This section aims at outlining the conceptual framework that will be applied throughout the thesis. As the concepts are not originally designed for such applications, the first part should be considered a tool for clarification, with focus on the general approach to the upcoming analyses. We will first make a brief presentation of what social contract theory is, as it constitutes the basis of the applied theoretical philosophical framework. We will in turn proceed to analyze corporate behavior towards society, and identify the power structures and their modes of participation, the purpose being to unveil a normative model for ideal conventions. The main thinkers on which the thesis is being built, are well-recognized social contract theorists, yet their ideas may differ. The framework will therefore be applied and analyzed comparatively. This will allow us to observe the different outcomes of each perspective.

### **Social Contract Theory Explained**

Social contract theory is a moral and political theory of legitimacy of power and moral norms. It is based on the origins of morality and the development of conventions. It supposes that legitimate authority must be built on consent of the governed, in the form of contract or mutual agreement.<sup>1</sup> The modern thinkers Thomas Hobbes, Jean-Jacques Rousseau and Immanuel Kant, who are all acclaimed as central figures within this school, will be used as main references. However, two elements of social contract theory, more recently identified for enhanced clarity, will also be used here, namely *contractarianism* and *contractualism*,

Contractarianism relates primarily to Hobbesian thinking. One of its basic premises is that individuals are primarily seeking to maximize their self-interest. The rationality and reason behind this attitude lies in acting morally and accepting governmental authority. Nevertheless, it is essential to note that the moral norms are derived from a social consensus based on common interests. Another key element is that contractarians see individuals as the best judges of their own self-interest and claim that only they themselves can define the means to satisfy their own needs. Therefore, we can see a close connection between liberalism and contractarianism – however, not necessarily. Hobbes, for instance, has long been seen as a proponent for totalitarianism ruled by the body of power that he

---

<sup>1</sup> Cudd, A. & Eftekhari, S., "Contractarianism", *The Stanford Encyclopedia of Philosophy*, Edward N. Zalta (ed.), (Spring 2017 Edition).

labels “The Leviathan”. His rationale is that totalitarianism is necessary if social order should be sufficient for maintaining civic peace. In Hobbes’ thinking, the “state of nature” is characterized by a pessimistic perspective on its individuals. He refers to the life in the state of nature as “solitary, poor, nasty, brutish, and short.” This, of course, is not very appealing, and individuals will have a rational inclination to succumb to a contract, even if the contract entails an all-powerful despotism that has as its primary objective to guarantee order, security and the legitimacy and power of law.<sup>2</sup>

It is what is referred to as the state of nature that serves as an initial starting point, which eventually states the premises and the motivations behind the agreement of social contract. This state of nature can be defined as a hypothetical scenario (whether or not we can relate this back to historical phases is disputable), in which individuals live in the absence of a social order and a higher social authority. Without this social authority, a lack of private security and scarcity of resources will inevitably lead to unregulated competition. The social order is thus built on the actors’ self-interest regarding security. Another side of this motivation is that individuals generally consider social order as beneficial. The motivations and desire behind cooperation are what drive individuals towards the social contract, as well as inspire them to follow the norms. No one would cooperate with individuals who do not adhere to the rules of the contract. We see here how self-interest interferes. The cheater would in turn feel obliged to refrain from breaking the rules in order to enjoy the fruits of cooperation. The social contract as well as the conventions and moral doctrines that follow, are thus central to facilitating cooperation.<sup>3</sup>

Contractualism, on the other hand, follows a more deontological nature. Primarily, it is commonly central to contractual thinking that we respect all individuals as human beings. This respect entails a necessity for and must be based on moral principles if it is to be justified. It is important that it becomes generally accepted through hypothetical mutual agreement by all contracting parties (sometimes even “humanity” as a whole). In contrast to contractarianism, individuals are not primarily motivated by self-interest, but rather by a commitment to public justification of the standards of morality, standards that could be universally applied to all individuals. Immanuel Kant is a proponent of such contractual thinking. The justifications for the social contract, according to contractualists, is a fair and impartial agreement. Contractarians, on the other hand, are more pragmatic in their justification. For them, it is the element of securing cooperative interaction –

---

<sup>2</sup> Cudd, A. & Eftekhari, S., *The Stanford Encyclopedia of Philosophy*.

<sup>3</sup> *Ibid.*



which in itself requires a fair and impartial starting point – that serves as the contracts’ premises for success.<sup>4</sup>

In contrast to contractualism, contractarians do not assume that individuals have any preferences for moral behavior. Instead, they rely merely on the element of self-interest, which does not necessarily take into consideration the well-being of others. The difficulty is to show why it is rational to be moral. The contract therefore needs to be satisfying and appealing to all the parties concerned.<sup>5</sup>

This brief presentation of the theory of social contracts allows us to move on to make a case for why such concepts may be applied to corporations. We will, from that point of view, discuss how corporations have taken a political role as a result of more recent political developments. This way, the ideas of political theory and philosophy, such as contract theory, will appear more congruent in regard to application.

### **The Politicization of Corporations**

Can contract theory be applied to study corporations and their new political roles in a globalized world, and is such application eventually useful? These questions force us to place additional emphasis on the political aspect of organizations, as well as to discuss the international and globalized dimension. Therefore, the argument is bi-dimensional: the first being the discussion of the newer political roles of businesses, and the second the aspect of globalization and how this affects the way businesses are currently being run. The two dimensions are interrelated. Globalization affects the new roles of corporations and is one of the strongly independent variables that influences the politicization of corporations. One cannot discuss the first without the other, and we will proceed with that assumption.

Andreas Georg Scherer and Guido Palazzo argue that corporations have become more politicized during the past decades. They engage in activities and undertake political roles that are conventionally associated with governments. Some of these roles are related to public health, education, social security and protection of human rights. They define ethical codes and engage in

---

<sup>4</sup> Cudd, A. & Eftekhari, S., *The Stanford Encyclopedia of Philosophy*

<sup>5</sup> *Ibid.*

self-regulation – i.e. regulate themselves, often as a result of the absence of national regulations. Self-regulating corporations may even promote social peace and stability.<sup>6</sup>

Scherer and Palazzo distinguish between two world orders: the Westphalian order and the post-Westphalian. In regard to corporations, The Westphalian order relates to modern state principles, where national states serve as the main regulator of business-activities. But globalization has shaken this world order. National frontiers are falling, and multinational corporations are operating within multinational supply chains, crossing a multitude of borders and regions. That, in turn, weakens the impact of the national state as the main regulating actor. Another element that reduces governmental control, is that many corporations operate in countries with an absence of a strong regulating state. In the Westphalian order, the national state assumed full regulating authority over corporations, in contrast to today's pattern where corporate activities are spread across the globe, resulting in limited regulatory effects.<sup>7</sup>

As a result of globalization, we are experiencing a fragmentation of authority, ambiguities related to borders and jurisdictions, and a blur between public and private sphere, often caused by ideological motives. Referring to Jürgen Habermas, Scherer and Palazzo mention two other factors that affect the current changes in the political world order. First, we may see a weakening of democratic control and the rule of law, in addition to a growing degree of heterogeneity of national cultures and a pluralism of values. Both these factors are challenges to the nation state. Many current issues are as well having a transnational dimension, such as global warming, which a single nation state cannot cope with alone.<sup>8</sup>

This decline in the nation states' capability of governance, seems to be replaced by other and new forms of governance that go above and beyond the national state. The actors taking part in these new forms of governance, may therefore be perceived as operators on a more cosmopolitan and globalized level. International organizations, civil society groups (such as non-governmental organizations), and private corporations, are voluntarily taking part in governance through contributing expertise and resources. They are thus filling the gaps in international regulation, while

---

<sup>6</sup> Scherer, A.G. and Palazzo, G. "The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy", *Journal of Management Studies* 48(4), (2011), 899

<sup>7</sup> *Ibid.*, 901-902

<sup>8</sup> *Ibid.*, 903

simultaneously taking part in resolving global issues. Corporations can for instance be assuming the roles of protector, enabler, and implementer of citizenship rights.<sup>9</sup>

Dirk Matten, Andrew Crane and Jeremy Moon relate these responsibilities to three factors (1) development in business-society relations, (2) the nature of legitimately increasing business power and (3) the claims regarding social responsibility. Their presented framework of *corporate citizenship* is defined through corporate political participation and its way of affecting political processes, as well as acting as partner in legitimizing the power of the both public and private governance.<sup>10</sup> These perspectives of responsibilities open for application of concepts such as contractarianism, but also contractualism, which values the more ethical aspect of social contracts. Both perspectives, such as corporations taking part in responsible activities as well as the more self-interested motivated and instrumental actions, will be discussed in greater depth in light of both contractarianism and contractualism in this thesis.

The globalized market in which contemporary corporations are operating, is complex. Heterogeneous legal and social demands make it difficult to know which activities are acceptable and legitimate, and which are not. This lack of moral and legal order can be seen as a result of economic liberalization of nation states that initially held full legal authority over corporate activities. Additionally, globalization and the disintegration of mercantilism and its regulative framework, make the contemporary corporation more of a global citizen, over which no nation state can hold full legal and even moral authority. The corporation has either moved offshore, or spread its activities in global supply chains, both challenging national governance.<sup>11</sup> We will in this thesis discuss these changes and developments through the framework of the state of nature, which may help explain the sources and causes of the current conditions.

---

<sup>9</sup> Scherer, A.G. and Palazzo, G., *Journal of Management Studies*, 900-3

<sup>10</sup> Moon, J., Crane, A., Matten, D., "Corporate power and Responsibility: A Citizenship Perspective", *Responsible Organization Review* 1, (2006), 83

<sup>11</sup> Scherer, A.G. and Palazzo, G., *Journal of Management Studies*, 903-910

## **Corporations as Rulers and Ruled**

The nation states are playing a gradually less significant role in ruling corporations in a moral and legal dimension, while corporations simultaneously have developed an enhanced political role. This opens a new space for considering contemporary aspects of concepts such as contract theory. It becomes imminent to ask how these new roles are legitimized and how the process of governance is formed. Social contract theory can facilitate understanding the process of developing norms and conventions, conventions that either replace or come in addition to national regulations.

*“However, there have also been more thoroughgoing attempts to retrieve for modern times the classical assumption that citizens rule as well as being ruled.”<sup>12</sup>*

The ruling entity cannot exist without its dominion’s consent. Practicing of political power will therefore have to be a two-way process. That will be discussed, but unlike Matten, Cranes and Moon, who concentrate on the (political) roles of corporations in regards to more government-like responsibilities such as securing individual citizen rights as well as redistribution of welfare, we will rather analyze the relationships of power between corporations, national governments and civil society. The latter requires a simpler framework, as social contract theory deals primarily with authority and its legitimacy, covering the rights and duties of the rulers. In turn, the aspect of what rights and duties the ruled have towards the ruling entity, and how they in turn can take up the role as authors of power, is similarly significant. A focus on the aspects of *corporations as rulers*, but also as *being ruled*, is therefore relevant, and will be central in the upcoming analyses.

## **Contract Theory Applied: The State of Nature**

Even though social contract theory has already been applied to CSR, the underlying philosophical groundwork tends to be left out.<sup>13</sup> The aspect of how contracts and conventions are formed, will be covered, before we go further by discussing the concept of the *state of nature*. The state of nature is a hypothetical scenario that describes the original condition of humankind without social order – i.e. social contracts. Have human beings been living in harmony with natural conditions that gradually

---

<sup>12</sup> Moon, J., Crane, A. & Matten, D., “Can Corporations be Citizens: Corporate Citizenship as a Metaphor for Business Participation in Society”, *Business Ethics Quarterly* 15(3), (2005), 437

<sup>13</sup> Donaldson, T., “Contractarian Business Ethics: Current Status and Next Steps”, *Business Ethics Quarterly*, co-authored with Thomas W. Dunfee, 5(2) (1995), 173-186

have become corrupted? Or are humans corrupt by default because of their self-interest, which has led to the unstable state of war? Is a probable state of war the cause that encouraged individuals to form social contracts to secure peace? Or is all part of a bigger scheme, where the state of nature happens to be a step on the road to the end – where peace and prosperity actually is the end? The mechanisms, motivations and development corporations' social and political responsible behavior will be described within this framework.<sup>14</sup>

The state of nature allows us to discern, not only the conditions prior to agreements between individuals, but also the motivations behind them, and to understand how they generate agreements. It helps define human behavior in the formation of social contracts and is impacting the content of the contract and its form. The state of nature also defines the relations of power between the actors when a higher authority or body of power is absent. Questions regarding corporations' motives in absence of a social order, the matter of who sets the rules of the game; governments or markets, the conditions of the social contract, and in turn how conventions lead to social order, will all be presented in the following.

### **Contract Theory Applied: The Social Order**

There is no particular form of government that can be seen as fully synonymous with social contract theory. Several theorists are proponents of different forms of government. Some vouch for certain democratic systems. Hobbes, however, was clearly not an advocate for democracy. Social contract theory explains how conventions are created, how morality is unfolded, how power is legitimized and which ideas about various political systems may be preferable. What sort of political system that may be considered ideal in relation to the social contract, will depend on the views presented by each theorist. We will discuss what type of political system the different thinkers favor and apply them to corporations in order to analyze the modes of participation, their roles in forming standards as well as their power relations.

The discussion about how governmental ideals apply to corporations will be covered in later sections of the thesis. For now, we will argue that such application is actually possible, doable, and even

---

<sup>14</sup> Friend, C., "Social Contract Theory", *Internet Encyclopedia of Philosophy*.  
Shatara, A.N., "On the Hypothetical State of Nature of Hobbes and Kant; Same Premises, Different Conclusions", *European Scientific Journal*, 12(23), (2016), 209-211

favorable. On the background of new political roles of corporations, one can see how a framework of different governmental forms may be applied, based and legitimized on different contract theoretical ideals. The debates of corporate social responsibility (CSR) and corporate political activity (CPA) do both build on democratic premises.<sup>15</sup> Obviously, we will see no such argument when discussing Hobbes, who categorically rejects any democratic or republican ideals and favors an authoritarian system, in sharp contrast to Rousseau and Kant. However, there is more to Hobbes than just his *Leviathan* with absolute power to withhold social contracts. Hobbes' ideas relate to the lack of social order, the formation of authority and how this in turn is legitimized. We will also consider how various powerful corporations strongly influence the rules of the game, in the light of Hobbesian "Leviathans".

Both Rousseau and Kant open for discussions related to the political roles of corporations within the frames of democratic and republican ideals. It is relevant to ask whether or not we can actually analyze corporations in relation to such ideals. The answer is yes, and the rationale is twofold. At first, we may recognize that as long as corporations are acquiring political roles and are defined as "citizenship-like", it logically follows that frameworks of political sciences may indeed be applied. This is similar to the argument concerning the relevance of social contract theory when analyzing corporations. The idea is not new. Both Scherer and Palazzo, as well as Matten, Crane and Moon, explain the new political and citizen-like roles of corporations in light of theories in different democratic systems.

Matten, Crane and Moon present their framework of corporate citizenship on a background of minimal liberalism (a form of libertarianism), civic republicanism, developmental democracy and deliberative democracy. The first can be understood as a system where citizens are in need for protection from arbitrary rule and oppression from governments. They also use republicanism (with the label "civic republicanism") as a framework to understand current corporate political participation. This coincides well with our model. However, they also suggest models such as "developmental democracy", a form of democracy in which political actors (in this case corporations) are taking part in social flourishing. Through Rousseau's democratic and Kant's republican models, there is room for such notions (i.e. none of these forms of government exclude the developmental

---

<sup>15</sup> Rasche, A., "The corporation as a political actor – European and North American perspectives", *European Management Journal*, 33(1), (2015).

aspect), although corporations' role in social development is beyond the scope of this thesis. Finally, they advocate a third perspective, which also happens to be favored by Scherer and Palazzo, namely deliberative democracy, focusing primarily on political actors' role (in this case, including corporation) and participation in public discourse. There is room for such public discourse in Kant's models, but this is more problematic in Rousseau's.<sup>16</sup>

### **Methodology and Literature Choice**

A conceptual framework based on social contract theory and analysis of social activities in business practices will be applied both to understand corporations' roles and actions, and the underlying social mechanisms and structures that affect their behaviour. In this way, social contract theory will constitute a theoretical lens, whereas current and historical accounts about business and corporate activities will be used as empirical data. The selection of literature is crucial, as literature and written accounts will be used both as the primary empirical and theoretical source.

Concerning the methodological approach, the theoretical framework will be defined through classics in political philosophy and theory. Three main thinkers within the school of social contract theory have been selected since they are comparably significant judged by several parameters. The three, Hobbes, Rousseau and Kant, share an overall similarity regarding the subject, as they all base their work on giving accounts of humankind's initial condition, known as the state of nature, in which they discern aspects concerning human nature. Rousseau sees the human as a free and inherently good being, who becomes corrupted through the implementation of a social order. Rousseau sees this order as undesirably coercive, whereas Hobbes considers humankind as selfish, brutal and living in a perpetual state of war that can only be contained through absolute authority. In this case, the coercion is seen as desirable.

Kant has several similarities with Hobbes in his analysis of the state of nature, in that he claims that individuals are motivated by selfish ends, in what he calls *unsociability*, yet with an underlying

---

<sup>16</sup> Moon, J., Crane, A., and Matten, D., *Business Ethics Quarterly*, 439-41

Scherer, A.G. and Palazzo, G. *Journal of Management Studies*, 917-919

Roberts, N., "Public Deliberation in an Age of Direct Citizen Participation", *The American Review of Public Administration*, 34(4), (2004), 8-12

O'Neill, J., "The Rhetoric of Deliberation: Some Problems in Kantian Theories of Deliberative Democracy" *Res Publica*, 8(3), (2002), 251-256

capability of becoming social – i.e. moral, in order to form a political whole. This distinction underlines a clear difference between contractarian and contractualist thinking.

Another parameter in which these thinkers are comparatively significant, is linked to their end-game condition. Kant and Rousseau differ from Hobbes, in that they see humankind as capable of a democratic form of government, whereas Hobbes suggests that an absolute body of power known as the *Leviathan* is necessary to maintain peace. Interestingly, Hobbes and Kant have the same starting point, yet reach different conclusions, while Rousseau and Kant start differently, but share many similarities in regard to their end-game.<sup>17</sup>

Why these differences? It is important to note that the three thinkers link the initial condition with the transition and creation of a social order. The link is explained with different means and mechanisms. Rousseau believes that the transition from the state of nature to a social order is more or less accidental, whereas Hobbes claims that it is caused by the human condition. For Kant, on the other hand, it is part of a bigger scheme, and he explains the transition through teleological accounts. What they all recognise is that human motivations and moral dispositions are both present in the state of nature and the social state – and they both form the mechanisms behind the transition. But even if they share a similar school of political philosophy and discuss common phenomena, they still make different analyses, which make the context interesting.

The theoretical framework of this thesis is built on original philosophical texts. In the case of Hobbes, we will use his famous work *The Leviathan*, which covers both his analysis on human nature and his views on the state of nature, as well as his suggestions for a just and sustainable common-wealth. Concerning Rousseau, we have chosen two of his most significant works, namely his *Discourse on the Origins and foundations of Inequality among Men*, where he discusses the state of nature. The second is *The Social Contract* which builds upon the first, and where he expresses his visions of the ideal social order. When it comes to Kant, we will use two of his political texts, namely an *Idea for a Universal History from Cosmopolitan Perspective* and *Towards Perpetual Peace*. Both texts outline the state of nature as well as the transition into a social order, and in combination they provide a wider understanding of his political philosophy. The original texts will be supplemented with

---

<sup>17</sup> Shatara, A.N., *European Scientific Journal*, 209-19

Scott, T. J., "The Theodicy of the *Second Discourse*: The "Pure State of Nature" and Rousseau's Political Thought, *American Political Science Review*, 86(3) (1992).



secondary literature to enhance the comprehension of the concepts and the overall philosophy of each thinker.

The conceptual framework of the thesis will be applied to theories and analyses of both current and historical records of corporate social and political relations. We will use the literature for discussions, not only in regard to the developments, but also of current events. Karl Polanyi's *The Great Transformation*, as well as Geoffrey Ingham's *Capitalism* will be used as complimentary material. We have chosen to limit the number of historical sources and work on the broader lines in economic history rather than go into details through singular historical events, as the scope of this paper is not about the history of businesses' social roles. The historical data serves rather as a mean to support the conceptual framework. Different historical works could also have been selected, but the actual works have been preferred because they focus primarily on the conflicting aspect of the development of corporate social relations. More recent political CSR-research will be added to the argumentation when discussing corporation's more current affairs.

## **Summary**

In this introductory section, we have shown how social contract theory may be applied to the analysis of corporations and their more recently enhanced political roles. The philosophy of social contract theory will be outlined, before being applied to the analysis of corporations. By arguing in favor of corporations acquiring new political roles, as well as discussing ways in which corporations can be seen as citizens (and hence political actors), we will promote an argument for application of this theory in analyzing corporate behavior. The concepts of *the state of nature* which will be applied to the analysis of the origins of corporations' social relations, will make it possible to discern mechanisms that led to current conditions. This transition allows for an analysis of the development of power-relations as well as the legitimization of conventional norms and authority. Different forms of democratic (as well as non-democratic) theories will be briefly presented to show how the political roles of corporations have been interpreted.

The second section will cover and contrast three different perspectives on the state of nature – namely the ones from Thomas Hobbes, Jean Jacques Rousseau and Immanuel Kant. In the third section, this framework will be related to modern historical events in order to better understand the sources of corporation's current social roles and responsibilities. The fourth section will be dedicated

to a discussion on different models of participation in which the contradicting actors (governments, civil society, corporations and NGOs) create conventions and eventually take part in governance. What constitutes a legitimized social contract based on earlier analyses will be pointed out in the fifth section. Criteria satisfying the conditions imposed by each of the thinkers on humankind's transition from the savage to civil state will be presented.

## SECTION 2: FROM THE STATE OF NATURE TO A SOCIAL ORDER

This section will concentrate on the state of nature that states premises for the initial contract between parties. In social contract theory, the state of nature is the initial condition in which human beings find themselves prior to a social order. The significance of that definition is not only to detect potential effects of a lack of authority, but rather to find out how and on what premises individuals gather and how they form contracts with the purpose to achieve cooperation and stability. It is important to note that no such contracts – whatever they may entail – can be kept without a higher authority. This authority is meant to serve as arbitrator and judge in cases of conflict of interest and aims to guarantee preservation of the contract as well as the social order. It is interesting to register how it is formed and legitimized.

The state of nature thus becomes a picture of human nature, which sets the scene for the formation of the social order. To fully understand human nature, one has to distinguish between the natural and the artificial aspects. What is the natural condition of humans in the absence of a social order? What are the human motives and moral character in such state? Such natural elements set the premises for the social order. The natural condition of humans is thus the input phase of what would later form a social contract. From that in turn, social order is constituted. The output may be identified as what is artificial, or, said with other words – what is socially constructed and formed by the civilized condition.<sup>18</sup>

Beside the mechanisms behind the establishment of a contract, a normative and ethical assessment should also be considered: does the formation of a social contract cause the peril of human goodness? And if so, would the state of nature have been a more favorable condition than a civilized state? Or is the civilized state a necessity for maintaining peace and order? Perhaps does the civilized state even contribute to human moral enlightenment? These contrasting theories be discussed first. The next section will then focus on applying them to the development of corporate political roles and responsibilities.

---

<sup>18</sup> Cudd, A., & Eftekhari, S., *The Stanford Encyclopedia of Philosophy*.

## The State of Social Disharmony

According to English philosopher Thomas Hobbes, the state of nature is not an honorable condition. In his book *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, he discerns an analysis of human nature in the savage state as being ruthless, selfish and violent.<sup>19</sup> The means of acquirement entails a need and desire to kill, subdue, supplant and repel the other. In other words, his view of the state of nature is pessimistic, leading to a perpetual and restless desire for power that only ends in death. Such forces may even reach beyond the mere hedonism of acquiring goods, as the human kind will never be content with current acquisitions. It will automatically desire more in order to preserve and assure the means to live well and secure its current status. This competition for riches, honor, and other forms of power leads therefore only to contention, enmity and war. In Hobbes' state of nature, humankind is egocentric, lacks compassion, striving only for power, and focuses primarily on the maximization of private ends. The benefits are acquired for oneself only, for one's own sake, and not for the love of others.<sup>20</sup>

There is an egalitarian element in this state of nature, in the sense that individuals are equal in the faculties of body and mind. Some may be smarter, quicker or stronger than others. The differences are not sufficient to secure one's own position at the top of hierarchy. Even the weakest may gather strength by uniting with others and kill or supplant the strongest. With this in mind, nobody is safe in the state of nature, and there is no guarantee in terms of security and sustainability regarding one's power, position and goods. This lack of security for all individuals will in turn motivate them to form a social contract, which is the basis of social order with a legitimized ruling.<sup>21</sup>

This equality of ability, according to Hobbes, generates in individuals the hope of acquiring one's ends and ambitions. It amplifies one's selfish motivation, as everyone has more or less equal ability to acquire goods. If two individuals desire the same object, which they cannot both enjoy, a state of rivalry occurs, which may lead to a situation of conflict or war, or at least a wish to subdue the opposition in order to meet one's own ends. Yet, whenever one manages to subdue another for an object or for power, one may enjoy the fruits of the success, however with no guarantee that what is

---

<sup>19</sup> Garrath, W., "Thomas Hobbes: Moral and Political Philosophy", *Internet Encyclopedia of Philosophy: A peer-reviewed Academic Resource*.

<sup>20</sup> Hobbes, T, *Leviathan or the Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*. (McMaster University Archive of the History of Economic Thought, 1998), 61, 74

<sup>21</sup> *Ibid.*, 76

acquired will not be taken away, either by another individual or group of others. The state of nature is thus a state of freedom – freedom from security.<sup>22</sup>

This insecurity gets amplified by the constant paranoia arising from the condition. Two factors increase this state of hostility – one being overconfidence in one’s own abilities, leading and allowing one to act in order to acquire more, bringing yet more hostility and violence. Secondly, there is always an underlying fear of a potential enemy striking first – especially if one has already acquired goods and power. And yet, even if one has acquired significant amounts of power or goods, the individual may still be motivated to acquire more. Even though, one could believe that one would find peace once one has reached its goals, the fear and the desire to protect its own belongings and maintain power only keeps individuals in perpetual hostility. These two factors are the premises behind the explanation of this perpetual struggle leading to a state of war.<sup>23</sup>

*“In such condition there is no place for industry, because the fruit thereof is uncertain: and consequently no culture of the earth; no navigation, nor use of the commodities that may be imported by sea; no commodious building; no instruments of moving and removing such things as require much force; no knowledge of the face of the earth; no account of time; no arts; no letters; no society; and which is worst of all, continual fear, and danger of violent death; and the life of man, solitary, poor, nasty, brutish, and short.”<sup>24</sup>*

In the state of war, there are no other means to secure oneself than by force, imposing one’s will or power over others. According to Hobbes, it is only when one becomes the master of all men, feared by many, respected by others, that one can fully allow oneself to feel secure. Yet such a goal is unlikely to be acquired, as even kings and great leaders desire to expand their wealth and influence, often bringing common people into wars. The desire for conquest is not limited to the acquisition of gains, nor in securing them, but also rooted in one’s reputation, which can be stronger than any material acquisition and generate even more difficulties in creating a harmonious order. At no point in the state of nature does this desire for conquest, hence conflict, end, as even kings may get usurped or have their territory conquered, and even the most feared may be taken down by a confederacy of others.<sup>25</sup>

---

<sup>22</sup> Hobbes, T, *Leviathan or the Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 61

<sup>23</sup> *Ibid.*, 62

<sup>24</sup> *Ibid.*, 78

<sup>25</sup> *Ibid.*, 77

*“The desires, and other passions of man, are in themselves no sin. No more are the actions that proceed from those passions till they know a law that forbids them; which till laws be made they cannot know, nor can any law be made till they have agreed upon the person that shall make it.”<sup>26</sup>*

The state of nature can be labelled as a war of “every man against every man”. The normative status of war is absent. Nothing can be either simply just or unjust, as there are no covenants, contracts, nor arbitrators, nor conventions or laws that define right from wrong. In this way, qualities of societies do not unfold within the state of nature. They can only be realized through social contracts, conventions and laws. And it is also in humankind’s passions and self-interest that a social order is formed. The constant fear for personal security and the desire to secure property and life, would eventually lead humankind – tired of the perpetual state of war – into a civilian state with a legitimized authority, known as the Leviathan, an authoritarian entity with unchallenged power that would secure social order and put an end to the everlasting conflict.<sup>27</sup>

### **The Destructive Social Order**

The views covered above can be contrasted with an opposing one, namely from Jean-Jacques Rousseau, who in his *Discourse on the Origins and Foundations of Inequality Among Men* sees the state of nature as something positive, liberating and good, rather than destructive and unstable. However, in contrast to Hobbes, he sees a civilized state as something destructive. Rousseau points out that humans, just like animals, are all born equal, and that it is society that forges the chains of inequality.<sup>28</sup>

He describes in his discourse two forms of inequality, the first labeled “natural” or “physical”, and the second either “moral” or “political”. The first is dictated by nature: some individuals are born stronger, smarter, of better health and other innate qualities. The second is derived from conventions (i.e. the social order) and is established through human consent (through a social contract). The latter form is thus socially constructed and can be seen as more severe and more

---

<sup>26</sup> Hobbes, T, *Leviathan or the Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 78

<sup>27</sup> *Ibid.*, 79-79, 103-106

<sup>28</sup> Rousseau, J.J., “Discourse on the Origin and Foundations of Inequality among Men”, Translated by Donald A. Cress, in *Classics of Moral and Political Theory* (4th Edition), Edited by Michael L. Morgan, (Indianapolis, Hackett Publishing Company Inc., 2005), 782, 786

authoritarian. In this case, some individuals enjoy privileges at the expense of others, like being richer, more honored and powerful. This form of inequality forges the chains humankind finds itself entangled by when leaving the free and harmonious state of nature.<sup>29</sup>

In the state of nature, human needs are modest, and whatever one may desire is easily at hand. Human knowledge is limited and far from the degree in which one will be seeking more. Rousseau labels this state of nature as a state of “indifference” as a result of familiarization. Things will always be the same – live to live another day – always with the same order and the same succession of changes. Individuals would thus not seek great knowledge, nor acquire greater riches, nor chase wonders, nor stars.

*“His soul, agitated by nothing, is given over to the single feeling of his own present existence, without any idea of the future, however near it may be, and his projects, as limited as his views, hardly extend to the end of the day.”<sup>30</sup>*

How could this state of nature not be more equal, when nobody has houses, riches or property of any kind? Could there be more equality than in the state where individuals were free to bed in some random spot and often only for one day?<sup>31</sup>

*“I ask which of the two, civil or natural life, is more likely to become insufferable to those who live it? We see practically no people who do not complain about their existence [...] I ask if anyone has ever heard tell of a savage who was living in liberty ever dreaming or complaining about his life and of killing himself?”<sup>32</sup>*

Individuals in the state of nature are not primarily violent and selfish, but rather compassionate and repugnant towards causing harm to others. It is not in one’s interest to see one’s fellow suffer or perish, quite the contrary. In the state of nature, humans live in harmony with nature. However, Rousseau does mention that humans have an interest in self-preservation and in preventing hostilities, but usually in the form of self-defense, or when in conflict with potential hostile animals. Unlike Hobbes, he sees such self-preservation as an exception rather than the norm. Humans are kind and good within the state of nature – compassionate, caring, and showing pity for the weak.

---

<sup>29</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 785

<sup>30</sup> *Ibid.*, 791

<sup>31</sup> *Ibid.*, 792

<sup>32</sup> *Ibid.*, 795

Pity, Rousseau says, is a natural sentiment that moderates everyone's activity in order to contribute to the mutual preservation of the whole species. This is what replaces laws, morals and virtue in the state of nature, and nobody would even be tempted to disobey its "sweet voice".<sup>33</sup>

*"Nature, in giving men tears, bears witness that she gave the human race the softest hearts."*<sup>34</sup>

Like Hobbes, Rousseau believes that in this state of nature, there is no type of moral relations or acknowledged duties. Actions could thus not be judged as neither "good" nor "bad", "right" or "wrong". However, he does mention one exception, namely what one could refer to "vices" and "virtues" in the physical sense, when actions that could harm an individual's self-preservation are seen as a "vice", and the ones that contribute to preservation as "virtues". Rousseau even claims that in the savage state, the lack of enlightenment and laws generates an ignorance towards vices, which in turn prevents one from doing evil.<sup>35</sup>

Rousseau even directly cautions the readers against concluding like Hobbes that, just because individuals know nothing of "goodness", it does not make them naturally evil. In an attempt to correct Hobbes, he further mentions that his definition of the state of nature is not a diagnosis of the human condition free from social order, but quite the opposite. The hostile state occurs only when one is introduced to a social order, and the need to satisfy a multitude of passions that are products of society arises. Rousseau further asks how an individual in the state of nature could act purely out of egocentricity or desire for self-preservation, even before egocentrism came into being. Egocentrism was formed through reason and strengthened by its faculty, reflection and reason being just a product of passions (we desire to know because it is satisfying). All are products of the civilized state. We will see later that Kant has a different perception of "reason": a free entity transcending the passions.<sup>36</sup>

The relevant question might be what leads individuals to leaving the state of nature and enter a state of inequality? What makes an individual desire to leave a peaceful, equal state of harmonious freedom? In his explanation, Rousseau refers to the human faculty of "perfectibility" as an element

---

<sup>33</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 784, 789, 796-7

<sup>34</sup> *Ibid.*, 796

<sup>35</sup> *Ibid.*, 795-796

<sup>36</sup> *Ibid.*, 790, 795-796



that makes individuals not only adapt, but also create, develop and perfect. It is this faculty of perfectibility that shapes virtues and vices, enlightenment and errors.<sup>37</sup>

*“In instinct alone, man had everything he needed in order to live in the state of nature; in a cultivated reason, he has only what he needs to live in society”<sup>38</sup>*

It was not until we made ourselves dependent of one another, that we immersed ourselves in social coercion. It is only by entering a social order, that one becomes an oppressor and others oppressed. As Rousseau points out, to enslave an individual can only happen after first making it interdependent. It is only when one has obtained position, land, wealth, culture etc. that one compares oneself as richer, more powerful or more prestigious than others. All are products of society and civilization. Such competitive behavior is absent under the state of nature. Once social order has been created, new needs are generated, accelerating the process towards further inequality and less freedom.<sup>39</sup>

But where does this inequality end? When do individuals regain their freedom? What is the ideal end-game for Rousseau? He does not suggest that we go back to the state of nature, but rather suggests a “true social contract” between the populace and the leaders, where the acquired laws are fully harmonized with the will of the people. The leaders must lead in accordance with general will – only then can one enjoy social unity. He suggests that such government can only take the form of a democracy.<sup>40</sup>

### **The State of Unsociable Sociability**

As mentioned, we can read Immanuel Kant’s philosophy as somewhere between Hobbes and Rousseau’s theories of the state of nature. Humankind is neither good nor evil, but rather has dispositions for both. The state of nature is not defined as individuals being purely selfish, instrumental and evil, but rather with the disposition of acting morally as well. However, this morality lies in reason and is not founded in passions or emotions (such as compassion), as Rousseau argues. Kant defines *unsociable sociability* as the attributes of humankind in the state of nature.

---

<sup>37</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 790, 800-1

<sup>38</sup> *Ibid.*, 795

<sup>39</sup> *Ibid.*, 799-800, 802-4

<sup>40</sup> *Ibid.*, 810

Humans hold the disposition to act in accordance with the empirical world – i.e. controlled by their passions, which Kant would usually define as motivated by selfish ends. However, nature gave humans the ability to transcend this situation by going beyond the mere empirical world and distance themselves from selfish urges.

Kant's social philosophy implies deeper mechanisms as well, such as an element of teleology. In *Idea for a Universal History with a Cosmopolitan Purpose*, Kant discerns the mechanism of human history, interestingly enough by discussing the purpose of mankind – not only covering the past, but also the direction in which nature plans to lead humankind. Every natural event is determined by nature's purpose and the same goes for history. This gives a narrative to the development and dictates the course of human actions – from the state of nature, to the civilized social order. It is in the *freedom of the will*, which lies in the unique human disposition of *reason*, that one can transcend the strict and deterministic (empirical) laws of nature (such as desires and other instinctual drives).<sup>41</sup>

*“Whatever concept of the freedom of the will one may develop in the context of metaphysics, the appearances of the will, human actions, are determined, like every other natural event, in accordance with universal natural laws. History, which is concerned with giving a narrative account of these appearances, allows us to hope that, however deeply concealed their causes may be, if we consider the free exercise of the human will broadly, we can ultimately discern a regular progression in its appearances.”*<sup>42</sup>

Kant's teleological notion regarding history could be explained as that all creatures have natural dispositions, procured by *nature*. Each creature, living in harmony with nature, is thus destined to live and develop fully in accordance to its purpose. This premise is essential as it serves as a cornerstone of Kant's law-like ontological understanding of the world. According to this deterministic notion, one could be tempted to neglect notions like free will and agency. As reason is not defined through instincts and is thus part of the empirical world controlled by laws, it is in reason that individual freedom of will resides. Reason can thus only advance gradually through experimentation, practice and instruction. There is therefore a notion of “trial and failure” related to development of reason. This is very much like Rousseau's idea of “self-perfection”, which, as we shall see, drives

---

<sup>41</sup> Rauscher, F., "Kant's Social and Political Philosophy", *The Stanford Encyclopedia of Philosophy*, Edward N. Zalta (ed.) (Spring 2017 Edition).

<sup>42</sup> Kant, I., “Idea for a Universal History from a Cosmopolitan Perspective”, Translated by David L. Colclasure, in *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, Edited by Pauline Kleingeld, (New Haven & London, Yale University Press, 2006), 8:17

humankind into social order, where reason (unlike in Kant's thinking), is both the initial source of evil, but also its own liberator.<sup>43</sup>

It is highly unlikely that one individual alone will be able to reach nature's end and develop its reason fully. The gradual development of reason must take place in concert with other individuals, not in solitude. Additionally, it may take multiple generations to attain nature's goal. Hence the necessity of human beings gathering and forming a social order. Only then can we cooperate and develop our true teleological purpose over the generations. We form social contract and create a social order, not primarily based on our selfish aims, but as an act of duty towards nature. This is one of the key elements that categorizes Kant as a contractualist rather than a contractarian thinker.<sup>44</sup>

Another dimension is also worth discussing. A human, in light of reason, is a free agent, pursuing its own ends and in that way promoting the work of nature. Nature's purpose is thus for humankind to live in accordance with reason and collectively develop into a civilized state, where respect for each individual and the others' needs and desires are ends in themselves.<sup>45</sup>

But how does such selfish human nature, the desire pursuing one's own ends promote the intended work of nature to develop humankind to act in accordance with reason? Kant's explanation lies in his notion of humankind's natural development, from the state of nature, to the civilized order. Kant's point of view is much like Hobbes', namely that the state of nature is a state of war, where there are no laws that regulate matters with legal authority, and the only remaining mean to assert one's right, becomes violence.<sup>46</sup>

*"The state of nature (status naturalis) is not a state of peace among human beings who live next to one another but a state of war, that is, if not always an outbreak of hostilities, then at least the constant threat of such hostilities. Hence the state of peace must be established. For refraining from hostilities does not guarantee a state of peace, and when one neighbor does*

---

<sup>43</sup> Kant, I., "Idea for a Universal History from a Cosmopolitan Perspective" *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:18

<sup>44</sup> *Ibid.*, 8:18-9

<sup>45</sup> *Ibid.*, 8:17

<sup>46</sup> Kant, I., "Toward Perpetual Peace: A Philosophical Sketch", *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:345

*not guarantee the peace of the other (which can occur only in a juridical condition), the other neighbor who called upon the first to do so can treat him as an enemy.*<sup>47</sup>

The conditions under the state of nature therefore serve as nature's mean to an end. It is through this state of war that individuals, tired of their current state, would feel encouraged to form a social order, so that peace can be maintained. It is this human antagonism in society that ultimately becomes the cause of a law-governed society. This is what Kant labels *unsociable sociability*. There are two dimensions to this notion. The first, the sociable part (human's inclination to associate with one another), is in accordance with nature's plan in pursuing collective ends. The second dimension refers to the unsociable part. Humans are namely citizens of two worlds: the kingdom of ends (reason) and the empirical world, in which they are led by passions, resulting in self-isolating tendencies. This resistance to social order can be found everywhere, as individuals, knowing themselves and their selfish unsociable nature, see in others what they see in themselves. This condition reminds us of humans' natural predispositions as described in Hobbes' state of nature. Likewise, it is in Kant's state of nature that this predisposition will make the same condition prevail, and in turn make humans act in concert and create a common-wealth.<sup>48</sup>

By limiting one's own freedom in order to live in harmony with others and make room for cooperation, the individual takes its first step into a civilized state, making an agreement with others forming a moral whole. The freedoms under the state of nature would not allow humankind to live together for very long. Through giving up their freedoms to form a social order, the individuals accept new freedoms under external laws as the pathway to a "perfectly just civil constitution", which is the highest goal of nature for humanity.

*"All the culture and art that decorates humankind, as well as its most pleasing social order, are fruits of an unsociability that is forced by its own nature to discipline itself and thereby develop fully the seeds that nature planted within it by means of an imposed art."*<sup>49</sup>

---

<sup>47</sup> Kant, I., "Toward Perpetual Peace: A Philosophical Sketch", *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:349

<sup>48</sup> Kant, I., "Idea for a Universal History from a Cosmopolitan Perspective" *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:20-1

<sup>49</sup> *Ibid.*, 8:22

## Summary

It is commonly said that Hobbes and Kant shared similar starting points, but developed different conclusions. They both start from the premise of humankind finding itself in a state of war, caused by actions springing from egocentricity and self-love. Their conclusion differs in that Hobbes became an advocate for absolute power, whereas Kant favored a republican system where human freedom was central. Kant sees civilization as something good, forming the beauty of humanity, whereas Rousseau sees it as a destructive force, which effects can only be partly repaired through the introduction of a democratic system. In contrast, Kant's theory was less favorable towards democracies, although open to the basic idea.<sup>50</sup>

---

<sup>50</sup> Kant, I., "Toward Perpetual Peace: A Philosophical Sketch," *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:349-50

### SECTION 3: THE RISE OF RESPONSIBLE CAPITALISM

Having discussed perspectives on the state of nature, we proceed with the application to corporations and their roles in society. What drives corporations? Can they be seen as entities existing in a state of nature? Are they primarily driven by selfish ends? Or do they have a moral compass, based on reason? Is there a parallel between the processes of human gathering and the development of capitalism, and in turn “responsible capitalism”?

The purpose is to apply the theoretical frameworks of the state of nature and social contract theory, to theories of economic history, in order to unveil the mechanisms of development and the changes in corporation’s social and political roles. A central question is how those developments have eventually transformed businesses that were originally run by selfish actors, into responsible operators in society. Or – whether they remained selfish and purely instrumental yet became responsible as a result of acquired benefits following current trends and expectations. Different thinkers will have varying explanations, but the force behind changes and motives are nevertheless closely interrelated and interconnected.

The framework of each of the three thinkers (Hobbes, Rousseau and Kant) will be applied to the phase “prior to markets”, with Rousseau as the central philosopher. Then we will consider how enterprises (and thus also corporations) are being formed and develop in a self-regulating manner during that phase. The question is whether self-regulating corporations share characteristics with the state of nature by caring only for their own selfish ends, or resemble a civilized state, where the common good of citizens is the focal point of consideration. Finally: how can businesses be brought more in tune with society, to be acting responsibly and sharing a harmonious relationship with the rest of the social world. We will primarily consider how Kant’s concept of *unsociable sociability* plays into nature’s plan, leading humanity towards a civilized order, driven by reason, through teleological mechanisms where order, cooperation, stability and harmony is formed through conflicts and competitions. Contrasting Kant’s assumptions, the Hobbesian notion states that the passions and forces that form society, may also form the motivations for responsible business practices. These two views will be contrasted and discussed. Rousseau’s perspective will be used as a more critical and different point of view throughout the analysis. Each thinker’s “end-game” solution will also be assessed and discussed.

## The Era before Markets

Jean-Jacques Rousseau's theory indicates that anything that has to do with markets, capitalism and corporations, even small businesses, are all symptoms of the corruption of social order that enchains individuals. Markets cannot constitute a state of nature, as the latter functions without interdependence between human actors. Economies, markets and capitalism as a whole, is not only satisfying the multitude of passions generated by the introduction of a social order, thus serving as a symptom of growing inequality. It also amplifies this process and becomes a generator of passions which individuals tend to acquire. It also highlights the potential inequality and sharpens the hostile competition between the actors.

From this point of view, real equality existed only before markets and perhaps even before economic systems as a whole came into existence. This is a valid argument if we accept the premise that markets are socially constructed, which they from a Rousseauian perspective are. How can a market exist if it is not based on interdependence between actors? In the state of nature, each actor tends to procure only the fruits of the earth necessary for its own survival. The earth produces what is needed in abundance, so that no human being should have to fight for anything. It was not before humans began acting on a corrupting desire to be better, richer, and wealthier than one another, that social inequality came into existence.<sup>51</sup>

Economic historian Karl Polanyi also attributes this social aspect to markets. It becomes a mean to acquire and safeguard one owns social standing, claims and assets, rather than having the basic intention of acquiring and safeguarding material goods as an end in itself. Material goods serve as a mean to an end. This social aspect of acquiring more than what is needed, has no meaning unless it aims at displaying higher status, dominance and power over others. It is this aspect Rousseau sees as the harmful mechanism of the civilized state. He states that the aspect is only constructed with and exists through the consent of individuals.<sup>52</sup>

In his description of "savage men's" economic system, Polanyi refers to Adam Smith's concept of the *barter economy* from humanity's earlier stages, an economy based only on trading of goods, trade in the form of "a piece of meat for a chunk of berries", which led to a division of labor and hence the dependence of markets in its most simplistic and primal form. But Polanyi disagrees with Smith's

---

<sup>51</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 806

<sup>52</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, (Boston, Beacon Press, 2001), 48

notion of the barter economy, firstly because the differences between civilized and not civilized people are exaggerated, and secondly because the forms of industrial life in agricultural Europe were not that very different from what they were thousands of years ago. The mechanisms were mostly the same, although the cultures, norms and rites were different. Substantial changes did not occur until the industrial revolution.<sup>53</sup>

Polanyi implies that Smith's notion, presented in *Wealth of Nations* from 1776, is only prophetic in relation to the industrial revolution, without necessarily explaining the economy of the savage state. Polanyi labels the notion as wrong and said the same about Rousseau's ideas of the state of nature.

*"In point of fact, Adam Smith's suggestions about the economic psychology of early man were as false as Rousseau's were on the political psychology of the savage."*<sup>54</sup>

This argumentation represents a clear misreading of Jean-Jacques Rousseau. For Rousseau, the state of nature does not have the purpose of serving as an historical account. It is to be considered as a theoretical framework, a light that can help understand the contra-factual vision of *how would it have been if* humans lived in a condition free from legitimized authority and free from social interdependence. As written by Rousseau:

*"For it is no light undertaking to separate what is original from what is artificial in the present nature of man, and to have a proper understanding of a state which no longer exists, which perhaps never existed, will probably never exist, and yet about which it is necessary to have accurate notions in order to judge properly our own present state."*<sup>55</sup>

First and foremost, this proves that Rousseau's *First Discourse* does not primarily have in mind a sharing of historical accounts and cannot not be judged on these premises. Thus, we may interpret Smith's barter economy as a mere hypothetical metaphor or framework, which may enhance understanding of the current position. In this regard, it matches the mechanisms of the industrial revolution.<sup>56</sup>

But this interpretation of Smith could also prove wrong if observed from Rousseau's perspective, as even a barter economy would entail the necessity of a social order. Polanyi mentions that there

---

<sup>53</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 45-48

<sup>54</sup> *Ibid.*, 46

<sup>55</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 783

<sup>56</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 47



could be societies without markets, but no society without an economy – and in turn no economy without a society. Even though this may be true, the observation could prove insignificant, as in the case of Rousseau’s state of nature there are no elements of society at all, and hence no economy. Analyzing Smith’s barter economy from a Rousseauian perspective, it is necessary to first accept the impact of the implementation of a social order, where individuals become interdependent of each other. In fact, we would see the barter economy as a product of the introduction of social contract of some form.<sup>57</sup>

A barter economy could not exist if there were no conventions or contracts that distinguished “mine” from “yours”. Such distinctions are products of society, which can only exist stably through laws that reinforce them. An absence of them entails no social order, hence no society. In that perspective, we can envisage human nature freed from not only markets, but also from an economic system. A question which may be raised, is what sort of significance that framework would have. The issue is to see how the formation of social bonds created inequalities. For Rousseau, it is the process of domestication of humanity that forges inequality. It is this correlation that is central to his analysis, not the actual observations of the state of nature, because they are only hypothetical observations.<sup>58</sup>

From such framework, we can conclude that the rise of capitalism correlates with enhanced inequality. But more importantly, if corporations had no parts in the detrimental side-effects from their activities there would no need for any notions of “accountability”. Such notion would not even exist in scenarios resembling Rousseau’s state of nature. If markets are symptoms of a social order, and a social order is coercive and detrimental, then it follows that markets are equally so. It is also according to Rousseau the detrimental effects related to the inequalities formed by the coercive social order that would lead to the justification of his democratic system where a focus on the common good, rather than selfish interests becomes a core value. Similarly, it is because of the detrimental side-effects of corporate behavior and actions that “accountability” related to corporate social responsibility (CSR) was introduced and popularized. Interestingly enough, CSR is built mostly around democratic premises where values based on participation and representation are central, much alike Rousseau’s model.

---

<sup>57</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 804

<sup>58</sup> *Ibid.*, 806

## Dystopian Capitalism

Could one even imagine having an economy without social order and laws, and, more importantly, without a legitimate authority to enforce them? A system like that would be seen as improbable, and if possible, quite unstable. Hobbes' state of nature was ruled by hostility and selfish ends but would not necessarily exclude the possibility of trade as trade inevitably entails a form of social relationship. His ideas of the state of nature is (unlike Rousseau's) not a condition free from social interaction, but rather a condition free from legitimized authority and constitutional social order, or "common-wealth", as Hobbes labels it. It opens for visualizing a market driven by competition, coherent with the human condition in the hostile state of nature.<sup>59</sup>

Such economy would be rather unstable. Traders are by themselves covenanters without higher authority, and there is no guarantee that any of the parties will honor their part of the bargain. That leads to lack of trust, perhaps threats, and even acts of violence if the selfish nature of at least one of the bargainers gets the upper hand. The lack of an impartial arbitrator may also affect negatively the validity of the covenants between the trading individuals.<sup>60</sup> We must assume that such an economy would remain unstable, potentially very unstable. It could also become dangerous, as it would amplify the latent hostilities in that state of affairs. Additionally, its effect on civil society could prove devastating as there would be no entity that could regulate the market and its participants, from irresponsible behaviors.

This dystopian market inspired by Hobbes' thinking displays a necessity for laws, norms and conventions. Geoffrey Ingham refers to the costs associated business actors' selfish nature. Counterparties are ready to cheat and exploit, and lack of mutual trust becomes a "transactional cost". It is important to bear in mind that Hobbes argues that the merciless and evil state eventually inspires and encourages people to form contracts, which in turn provide protection through social order with legitimized power. Hobbes states that it is the selfish nature that brings people together, and only then, from an economic perspective, can transaction costs be reduced, which in turn is beneficial for the involved. Some parties will, however, always tend to act out of self-interest and be tempted to take advantage of market imperfections, as Ingham mentions, and we are still far from the fully stable market (socially and legally).<sup>61</sup> Nevertheless, we have here provided an argument for

---

<sup>59</sup>Hobbes, T, *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*. 98.-104

<sup>60</sup> *Ibid.*, 84-86

<sup>61</sup> Ingham, G., *Capitalism, "The Enterprise"* (Polity Press, 2008), 122

Hobbes, T, *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*. 100-105

the necessity of social contracts in the forms of laws, conventions and norms in order to maintain stable market transactions, and in turn stable markets as a whole.

### **From Small businesses to Enterprises**

Hostile markets would quickly perish with the implementation of property and propriety laws, implying codes of conduct enforced through legitimized authority. Rules and regulations will be founded on a social contract that separates acceptable from non-acceptable behavior, distinguishing right from wrong conduct in economic transactions, and recognizing what belongs to whom. This will affect the entire society. Theft and threats would be illegal and punished. If economic actors are defined as profit-maximizing, it would also be in their interest to minimize transaction cost. In its most literal sense, transaction-costs is vast when the risk of one's own security is taken into account. That in itself could be sufficient to motivate economic actors to form contracts that would guarantee security. Hence breaking the contract would impose a transaction cost that is higher than when following the rules, as it would result in penalties, potentially imprisonment. In some cases, violators may also be indirectly excluded as a result of negative reputation. From a Hobbesian perspective, it is thus evident that economic actors are motivated through their own self-interest to not only form a social contract, but also honor it and in turn legitimize and reinforce it.<sup>62</sup>

With the worst offenses taken care of through legal and governmental social contracts, the most serious transaction costs, namely those related to one's own safety and security, are set aside. But there exist forms of violation in the grey zone between legal and illegal, offences that require the victim to prosecute perpetrators. By doing that, additional transaction costs occur. Further, there may be disagreements, and even though they may lead to conflicts, they will usually not end in violent actions, as it happened in times prior to the social contracts. In most cases, disagreements are settled by judges or arbitrators. Yet, going to court takes time and costs money, and sometimes results in higher costs than benefits. Geoffrey Ingham exemplifies cases where market imperfections may still exist, despite the existence of laws and social contracts. Therefore, some actors may not necessarily be trusted, some will cheat, shirk and take advantage whenever an opportunity arises. Ingham points to cases where there is only a limited selection of suppliers of raw materials and components in a production chain, a situation that may give suppliers the opportunity of raising

---

<sup>62</sup> Hobbes, T, *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*. 110

prices and exploit customers. In other cases, the suppliers, out of their position of strength, may disregard initial deals in order to favor others, perhaps more prolific or with higher potentials.

*“Human beings are assumed to maximize their self-interest amorally by taking advantage of these market imperfections...”<sup>63</sup>*

One could avoid these pitfalls, Ingham points out, through legal contracts, but enforcing them can be costly and the price may exceed the benefits. This context gives birth to new forms of contracts and a new form of social community: the enterprise (and hence corporations as these are generally enterprises). Businesses prior to the birth of enterprises were mostly family businesses, traditionally more modest and smaller in size. Through more recent forms of integration of interlinked production chains, transaction costs can be substantially reduced.<sup>64</sup>

This contractually linked chain is what constitutes the enterprise, which is hierarchical with command systems that replace price and legal contracts as means of economic coordination. It can be seen as human actors joining forces to form new social contracts, new forms of collaboration, as means to take care of own interests. From the same Hobbesian principles of mechanisms behind “gathering together to form a common-wealth”, a new form of social contract occurs. But, one might ask, isn’t a Leviathan already in existence – as in an official legal entity on a regional or national level? This raises many questions and potentials for contradictions. Hobbes clearly emphasizes that the body of power has to hold absolute power and eventually serve as arbitrator. It might be considered rebellious to form enterprises and corporations, rather than submit to the “rightful” legal entity of the “common-wealth”. In a way, it could be seen as forming new social contracts within an already existing social order. But this would imply to take Hobbes’ notion of the *Leviathan* one step too far.

*“As for other liberties, they depend on the silence of the law. In cases where the sovereign has prescribed no rule, there the subject hath the liberty to do, or forbear, according to his own discretion. And therefore such liberty is in some places more, and in some less; and in some times more, in other times less, according as they that have the sovereignty shall think most convenient.”<sup>65</sup>*

---

<sup>63</sup> Ingham, G., *Capitalism*, 122

<sup>64</sup> *Ibid.*

<sup>65</sup> Hobbes, T., *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*. 135

According to this argument, the actors are legally free to do so, until the ruling entity eventually forbids it through prohibitive laws. Governments not only have had the power to regulate markets and corporate actions in general, but have also repeatedly done so. On the other hand, the power acquired by some major enterprises has increased to a level competitive to national states, thus eroding the ability of the national states to regulate and control them.<sup>66</sup>

However, this has shown to become problematic in later times. As we have mentioned in the first section; the later liberalization of markets as well as globalization, have challenged the nation state as a regulating actor; creating regulatory gaps in cross-national business activities - allowing corporations to act less responsibly. It therefore follows that a necessity for new forms of regulation become imminent. Self-regulation through what is known as “soft-laws” would therefore seem like potential candidate, but the Hobbesian model requires a higher degree of institutionalization than what these soft-laws require. Additionally, this lack of institutionalization creates conflicting standards and norms, which have no place in Hobbes’ ideal common-wealth as these would lead to conditions more similar to that of a state of nature.<sup>67</sup> Similar limitations apply also to the Kantian and Rousseauian model. That aside we will still attempt to apply their models to the creation and implementations of soft-regulations in the next section (4).

### **Enterprises as Bodies of Political Power**

Ingham adds that reducing transactional costs is not the only underlying motivation behind the formation of enterprises (and thus also corporations). The other motivation is power, in the sense of a desire to create an organization powerful enough to *supersede* the market, in order to obtain monopoly and increase profits. Power thus becomes the crucial element in the sociological account of the enterprise. Power, dominance and wealth are all driving forces in the human psyche, according to Hobbes’ political philosophy – both as a driving force in the state of nature, but also in the formation and maintenance of the social contract (hence social order).

The question remaining to be answered, is whether these enterprises and later corporations find themselves in a state of nature, or have, through the birth of the enterprises and corporations,

---

<sup>66</sup> Hobbes, T, *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 135

<sup>67</sup> Mena, S. & Palazzo G., "Input and Output Legitimacy of Multi-Stakeholder Initiatives", *Business Ethics Quarterly*, 22:3 (2012), 540

formed a social order itself. From a macro perspective, one could say that they are in a state of nature as they are not fully regulated by governments. And as each enterprise will be fighting and competing in the market for a position of monopoly (or at least increase their share of the market), this state of nature will only cease when the ultimate end has been achieved, as the monopoly would grant the winning enterprise unlimited market, but also political power. The definition of a Leviathan according to Hobbes, is a body of power that holds absolute power – i.e. has a monopoly of power, which in this case could relate to a market monopoly.<sup>68</sup>

But from a micro-perspective, each enterprise becomes its own community, with a leadership on top (top managers and owners). The enterprise is hierarchical, with clear chains of command. This structure constitutes means of ensuring effective technical coordination of the division of labor, where power and authority are considered purely functional. It follows that the subordinated (usually wage laborers) submit to commands, because the outcome of cost-effectiveness is self-evidently to everyone's advantage. The birth of the enterprise initially allowed for individuals to abandon domestic production in order to become wage-earners. Merchant-entrepreneurs could reduce potential transaction cost, by making wages without ownership of production-means.<sup>69</sup>

Referring to Karl Marx, Ingham mentions the distinction between "labor" and "labor power". According to this distinction, the worker does not sell a fixed unit of labor for a wage in an equal exchange, but rather sells "labor power". This resource will then be organized by the capitalistic leadership of the enterprise in a way in which a "surplus value" will be extracted through exploitation. Part of this wage-contract implies an element of submission to domination, and the master is the entity controlling the enterprise. Labor, through the capitalist enterprise, transforms it into capital. This dominance over the laborer is reinforced by the fact that the enterprise is the entity where the power of capital directly operates the means of production and labor. From this Marxist perspective, the history of capitalism can be understood as a progressive subordination of labor, as the power lies in the owner of the means of production.<sup>70</sup>

We see similarities in Rousseau's perspective, in which the formation of social order, the interdependence of one another, and the introduction of changing economic goals and strategies

---

<sup>68</sup> Ingham, G., *Capitalism*, 123-125

<sup>69</sup> *Ibid.*

<sup>70</sup> *Ibid.*

(which are undeniably related one way or another to capitalism), corrupts the freedom and soul of the human being.<sup>71</sup>

*"[...] since the bonds of servitude are formed merely from mutual dependence of men and the reciprocal needs that unite them, it is impossible to enslave a man without having first put him in the position of being incapable of doing without another. This being a situation that did not exist in the state of nature, it leaves each person free of the yoke, and renders pointless the law of the strongest."<sup>72</sup>*

The enterprise is thus a feature of a social order, defined by its hierarchical power-structures. Such power-structures are non-existent in Rousseau's state of nature in which nobody is in a dominating position over another, nor is anybody somebody's dominion. In this case, no enterprises could be established, as hierarchies are pre-requisite to them. Additionally, this imbalance of wealth and power between capitalists and wage-laborers would also be unknown in his natural condition, as Rousseau's state of nature is a state of unconditional equality. In other words, enterprises and corporations thus took part in the creation of social issues related to labor conditions, as these would not exist without interdependences and hierarchies.<sup>73</sup>

### **Who Is the Leviathan?**

We have previously shown how the enterprise (or the corporation) could be interpreted as a Leviathan (an artificial body of absolute power) on a micro-level, because of the growth of its power. The thesis does not primarily focus on the organizational aspect of enterprises, but rather on their roles and place in society. Therefore, it is relevant to search for the "bigger protagonist" namely the level with power over the enterprises. Who is this potential ruling Leviathan? Two candidates may be suggested: Hobbes' classic candidate "the leader(s) of the common-wealth", and the market, particularly the self-regulating market. Obviously, both are interrelated and affect each other, but who is in control of the economy – or rather who is *primarily* in control?

---

<sup>71</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 788, 799

<sup>72</sup> *Ibid.*, 799

<sup>73</sup> *Ibid.*, 791-2

According to Hobbes, this type of social contract is institutionalized in a covenant where an assembly of “men” hand over the right to a body of power to act as their representative. Even those who do not consent to that entity will still have the duty to authorize the actions and judgements of it, as a necessity to promote and maintain social peace, the ultimate end. In other words, individuals become the authors of the ruling entity. The Leviathan, or the ruling entity, is thus built upon the covenant of each individual.<sup>74</sup>

We may see the national state as the ruling entity, irrelevant of what kind of governmental system it may adhere to. The national state has the power to regulate business, has historically done so, is still doing so, and will probably keep on doing so in the future. In the case of free self-regulating markets, such economic systems came into existence in the Western world through consent and allowance of national governments. The social order was ruled by the authority of governments and came to life under this precondition. From that perspective, the national state is the Leviathan, as the economic system was absorbed into the social system.<sup>75</sup>

Hobbes claims that the sovereign cannot allow breaches in the covenant, neither by himself nor his subjects, as this would breach the balance of power. The sovereign thus holds absolute power.<sup>76</sup> In most cases it is the nation state that has the mandate to legislate and enforce laws, even if it does not necessarily have monopoly over the economic system. This is further problematized with the introduction of self-regulating markets – as it forms a regulative power competing with the national state.

Each entity of power is authorized by its dominions. In the case of self-regulating markets, its artificial body of power is authorized by its participants, as no market-actors would imply no market. The power and living forces of the markets are based on their participants, such as the traders. What dictates those participating? Following the logic imposed above, it is the self-regulating market that dictates the rule of the game. However, Hobbes mentions that political power can also be acquired through the submission of a losing party in a conflict. Polanyi mentions that nation state’s regulatory power got subdued by the self-regulated market.<sup>77</sup>

---

<sup>74</sup> Hobbes, T, *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 107

<sup>75</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 69-71

<sup>76</sup> *Ibid.*, 115

<sup>77</sup> Hobbes, T, *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 137



The self-regulating market can be defined as an economic system that is controlled, regulated and directed by market prices. The order of production and distribution of goods is governed by mechanisms borne by the market. And just as the market controls, regulates and directs the behavior of its participating individuals like the Leviathan of the common-wealth does, we also find other similarities in the two lines of reasoning: the system is based on utility maximizing and at times driven by selfish ends. In other words, there is a parallel between the Leviathan in Hobbes' common-wealth and the self-regulating market, which rules the behavior of enterprises and corporations, simultaneously dictating the economic system of whole societies. Production and distribution of goods are controlled by prices. Market self-regulation implies that all production is for sale, and that all income derives from it. Not only goods, but also labor, land and money are exchanged on the market. It is the market that dictates the prices, the quantity and the flow of goods, not public policy. According to the self-regulating market, prices, supply and demands have to remain unregulated by the state.<sup>78</sup>

Unlike Rousseau and Kant, who are democratic and republican thinkers and open to ideas about division of power (a matter that will be discussed in section 4) Hobbes' ideal was absolute power attributed to one "god-like" authority. Other thinkers, among them Polanyi, claim that the self-regulating market in the West was shaped by democratic systems, which created limitations towards an application of the Hobbesian common-wealth. Anyway, the most important aspect of Hobbes thinking regarding authority, is that there is only one body of power. It can take different forms, for example as a monarchy or a democracy (even though Hobbes favored absolutism).<sup>79</sup>

But it is not evident that Hobbes' body of power regulates every aspect of human activity, even if it has the ability to do so. Whatever laws and regulations it imposes, they have to be respected and followed. There will always be aspects of human activity that will or may not be regulated. The idea of "laissez-faire", meaning "let do", which is often synonymous with self-regulating markets, is consistent with such notions.<sup>80</sup> However, this becomes all the more complex when dealing with self-regulating markets that gradually grow stronger, so strong that they become difficult to control through public policy. Markets may grow strong enough to "force" policies upon governments, or at least exert a pressure which is reflected in the policy outcomes. The bottom line is that once the self-

---

<sup>78</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 71-72

<sup>79</sup> Hobbes, T., *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill* 145-6

<sup>80</sup> *Ibid.*, 135

regulating market becomes as strong as, or stronger than national states in regard to economic and social capital as well as political power, we find ourselves dealing with two Leviathans.

*“For that were to erect two sovereigns; and every man to have his person represented by two actors that, by opposing one another, must needs divide that power, which (if men will live in peace) is indivisible; and thereby reduce the multitude into the condition of war, contrary to the end for which all sovereignty is instituted.”<sup>81</sup>*

And it is exactly this “warlike” situation that, according to Polanyi, developed during the great transformation of the economic system into a self-regulating market. Polanyi mentions the conflict between the liberal creed who can be identified with having an ideology supporting the self-regulating market, and the counter-movement that tried to regulate or push back the forces of liberalized market-economy. This is what Polanyi referred to as the *double-movement*. But does it mean that we still are in a kind of a state of nature, rather than in a peaceful common-wealth? We are faced with two competing forces, both led by actors driven by their self-interest, trying to win goods, power and influence. We will analyze this double-movement from a Kantian perspective.<sup>82</sup>

### **The Double-Movement as a State of Nature**

The rise of the self-regulating market, which Polanyi considers a threat to individuals and society, was met by a counter-movement that intended to control its side effects. Polanyi refers to this kind of market as a “satanic mill”, leading to the demolition of society by removing the moral aspect of human transaction, placing everything under economic terms. He also refers to other detrimental side-effects, such as humans losing their protective cover and similar social and environmental consequences.

*“Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed”.<sup>83</sup>*

---

<sup>81</sup> Hobbes, T, *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 115

<sup>82</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 71, 79-80

<sup>83</sup> *Ibid.*, 76-77

Even though the rise of economic liberalism and the implementation of the self-regulating market may have been beneficial in some respects, they created organized reactions which, according to Polanyi, were motivated by the need to protect the social fabric. This movement grew up as a direct consequence of the development of self-regulated markets, intending to limit their rise and reverse their negative trends. The aim was to re-introduce responsible political regulations and have them conducted by powerful institutions that in turn would regulate labor, land and money.<sup>84</sup>

The degree to which the state was willing to interfere and regulate, depended on a few different variables, the first being the constitution of the political sphere, the other the degree of economic distress. Ideological motives could neither be excluded. Historical experience indicates that regulation increases when voting is extended to all citizens. It was primarily the middle and working classes that suffered from side-effects of the self-regulating market. Once they were attributed greater power, increased regulations followed. But the desire and need for regulation would depend on the current economic situations: in prosperous economic times with stable prices, dependable living standards, secure income and continuous production, the self-regulating market was less subjected to intervention, and would thrive and expand freely. But in bad economic times, people would judge the self-regulating market as a failure and act accordingly.<sup>85</sup>

This conflict is what Polanyi refers to as the *double-movement*, where both trends became means to implement and reinforce the existence and the power of the self-regulating market. Obviously, the part of the movement that accepted the self-regulating market would defend it and vouch for it publicly and politically. Polanyi made the observation that regulation itself actually reinforced the self-regulating market, as paradoxical it may seem (a topic which, however, will not be much discussed as it would be outside the scope of this paper). A relevant example is how the agrarian crises and great depression of 1873-86 would lead to protectionism. Following extensive protectionist policies, came what Polanyi refers to as the “supreme vehicle” of the expansion of market economy, namely the gold standard.<sup>86</sup>

---

<sup>84</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 71, 79,80, 156

<sup>85</sup> *Ibid.*, 216

<sup>86</sup> *Ibid.*, 223

*“[...] the coming of the gold standard itself hastened the spreading of these protectionist institutions, which were the more welcome the more burdensome fixed exchanges proved. From this time onward tariffs, factory laws, and an active colonial policy were prerequisites of a stable external currency (...). Only when these prerequisites were given could now the methods of market economy be safely introduced.”<sup>87</sup>*

Protectionism eventually created strong monopolies that would further impair the self-regulating market. Monopolies became even harder to deal with and regulation became more difficult. Economic adjustment is generally slow and difficult in monopolies. Unadjusted prices would prolong depression and cause further social tensions, which eventually would have to be addressed with political means which favored the self-regulating market in the long run. Yet the paradox lies in the fact that despite such tensions, the strain transcended the economic zone, leading to a clear separation between the economic and political sphere – which in turn became constitutive for self-regulating markets.<sup>88</sup>

Like Hobbes, Kant shares the views that a state of nature is a pre-requirement for the introduction of a peaceful social order. Individuals will strive to liberate themselves from the negative state and create a social order, if necessary through battles, conflicts and open disagreements. From that perspective, one might see the double-movement as a state of nature, where two dividing forces are fighting for power and influence. One is trying to implement and reinforce the self-regulating market, while the other constitutes a counter-movement trying to reverse the effects of the former. Even so, as Polanyi notes, the contradictory nature of regulations became one of the driving forces behind the growth of the self-regulating market. No doubt, each side of the conflict may affect each other, one way or the other. Nevertheless, the conflict has led to growth in the institutions of the self-regulating market. It was, in Kant’s terms, the *unsociability* that led to this conflict, as unsociability entails disagreements because of the human disposition of pursuing private ends. Both sides of the conflict are causes of the chain of events that unfolded.<sup>89</sup>

But it will be a mistake to assume that peace and social harmony is born by deliberation and peaceful agreements. According to Kant, one may indeed build power by force. Polanyi, in his critical view of the self-regulating market, claims that the market was imposed by force through evil means such as

---

<sup>87</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 223

<sup>88</sup> *Ibid.*, 227

<sup>89</sup> Kant, I., “Toward Perpetual Peace: A Philosophical Sketch”, *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:20-1

poverty, starvation and destabilization of the economy.<sup>90</sup> Once again, the power of the self-regulating market may expose its actors to serious challenges, and the winner may face revolutions.

In such cases, we may regard the counter-movement as a revolutionary force against the ruling self-regulating market. And of course, there are times when the opposition becomes the strongest. That was the case during the Great Depression (after 1929), where moderating forces (with Franklin D. Roosevelt as president) quickly regained power through regulations. On the other hand, there has been periods when the self-regulating market could rule in peace, and times where market liberals again increased their power and influence. In more present time, this was clearly the case under Margaret Thatcher and Ronald Raegan in 80's. Thus, one might see the double-movement from the perspective of "revolutions" and "counter-revolutions". A multitude of revolutions may be required before reaching the ultimate goal, which for Kant is a just and moral social order (which will be related to his perspective on republicanism which will be discussed in section 4).<sup>91</sup>

### **Self-regulating Markets and Natures' Plan**

As we see, here are several similarities between the Kantian and the Hobbesian perspectives on transition from the state of nature to a social order. This transition is based on the premise of *unsociability*, namely in the human disposition to pursue selfish ends, and the assumption that this disposition will in turn serve as foundation for social unity and order. There are, however, some crucial theoretical differences between the thinkers, related to causality and teleology. The Hobbesian perspective may be seen as based on causation – the cause of natural conditions and creation of covenants is embedded in human nature, and the result is a state of war that would eventually lead to social peace when the warring parties unite and create a common-wealth. What *caused the* foundation of the common wealth? Human selfish self-calculating nature. That perspective seems coherent with Hobbes mechanical views, which he undoubtedly applied to social sciences.<sup>92</sup>

---

<sup>90</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 172

<sup>91</sup> Kant, I., "Idea for a Universal History from a Cosmopolitan Perspective" *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:25, 8:28

<sup>92</sup> Coli, D., "Hobbes's Revolution", in Khan, V., Saccamano, N. & Coli, D., (eds.) *Politics and the Passions, 1500-1850*, (Princeton University Press, 2006), 69-70

One should not exclude causation from the Kantian perspective, however it does take a step beyond causality, focusing on teleology, namely the “purpose” that nature has attributed to the world and every living being. This teleological view had certain implications, as they attributed *meaning* and a *normative* dimensions to the development of human society and the world. Events are not only natural, but also good, as everything nature creates or does has its reason in the bigger scheme. Kant holds a positive view of *nature*.

*“The natural motivating forces for this, the sources of unsociability and continual resistance from which so many ills arise, but which also drive one to the renewed exertion of one’s energies, and hence to the further development of the natural predispositions, thus reveal the plan of a wise creator, and not, as it may seem, the work of a malicious spirit that has tampered with the creator’s marvelous work or ruined it out of envy.”<sup>93</sup>*

Nature does nothing without a purpose, and the end-game is positive: the birth of knowledge, high culture and enlightenment, which Kant holds in high regards. This distinction can help separate Hobbes’ political realism from the Kantian (transcendental) idealism. With this distinction in mind, we may analyze Polanyi’s argument about the naturalness of self-regulating markets. He claims that there is nothing “natural” about the system, as it was created, implemented and reinforced through human actions.<sup>94</sup>

So, according to Polanyi, self-regulating markets are not natural, in the sense that there is nothing in the human’s “mind” or “nature” that would lead to the creation of that type of economic system, which Polanyi refers to as “rites of cannibalism in the name of self-interest”. According to him, there is nothing natural with “laissez-faire”, and free markets would never have come into being just by following a natural course. Self-regulating markets are thus artificial, created through human activity, and not something imposed upon us by nature.<sup>95</sup>

*“There was nothing natural about laissez-faire; free markets could never have come into being merely by allowing things to take their course. Just as cotton manufactures—the*

---

<sup>93</sup> Kant, I., “Idea for a Universal History from a Cosmopolitan Perspective” *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:21-2

<sup>94</sup> *Ibid.*, 8:30

<sup>95</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 141-146

*leading free trade industry— were created by the help of protective tariffs, export bounties, and indirect wage subsidies, laissez-faire itself was enforced by the state.”<sup>96</sup>*

Polanyi’s analysis would match a Hobbesian perspective, as it implies that everything artificial is created from human desires and activities, usually based on utility. The natural human pre-disposition may be considered as the driving force. Hobbes states that it survives the process of domestication, as the inner human forces are very much alive within the common-wealth (although contained), while the common-wealth itself, is artificial, like any other socially constructed constitution. On the other hand, Kant sees every event, including the creation of a common-wealth, as the work of nature. Following this argument, the creation, implementation, as well as the double-movement itself, must be the work of nature, because the creation of self-regulating markets is natural. Whether a self-regulating market is the end-game or not, is subject to dispute, but according to Kant, it would surely not be, especially if Polanyi is right in his critical and rather negative observations of the detrimental side-effects on humanity this sort of economic system has. The self-regulating markets would thus seem coherent with *unsociability*, in the respect that the rise of self-regulating markets can be seen more as nature’s means, rather than ends. There is an end to all this, and it is embedded in the purpose dictated by nature. If one adheres to the premise that nature entails a good plan for mankind, it may lead to a form of social harmony as the final stage.<sup>97</sup>

It may seem that the double-movement is nearing the end, as the national state has lost power over big corporations because of globalization and liberalization. These two factors may not be new phenomena per se, but the pace in which they have grown, have increased significantly during the last century. Scherer and Palazzo who were initially mentioned earlier in the thesis, together with their colleague Andreas Rasche, made a follow-up analysis to their “Political CSR”. Here they introduce a revised concept known as “Political CSR 2.0”, where they argue that the national state has regained power as a result of the birth (or rather rebirth) of nationalist movements. Yet, even if the national state is making a timid come-back, there is no doubt that the world is more globalized than in the era Polanyi discusses (The Modern Era).

The trend which Palazzo, Scherer and Rasche discusses in *Managing for Political Corporate Social Responsibility* may continue, and the national state regains its regulating control over corporations.

---

<sup>96</sup> Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, 141-146

<sup>97</sup> Garrath, W., “Thomas Hobbes: Moral and Political Philosophy”, *Internet Encyclopedia of Philosophy: A peer-reviewed Academic Resource*.

But that would contradict the Kantian end-game, because there is no doubts that Kant was a prolific cosmopolitan who believed that the step next to the formation of a morally just common-wealth on a national level, would lead to the next phase in securing cosmopolitan rights and harmony.<sup>98</sup> From this perspective, corporations ought to acquire cosmopolitan responsibilities and accountabilities in order to ensure a harmonious state.

According to the Kantian perspective, the way to this state of harmony is built on conflicts, which in turn leads the rivalling individuals into a state of order and harmony. Single battles in wars may establish new relations and political bodies by breaking up or destroying old ones, thus making room for new political bodies.<sup>99</sup> The battle between ideals of the self-regulating markets and its counter-movement, may still exist to this day, even though weakened or perhaps clouded by a new political battle between globalism and nationalism. There are no doubts that this spectrum constitutes the political struggles of our times, yet we can clearly draw a line between globalization and self-regulating markets, and nationalization and (national) regulation of markets. In which case, we still find ourselves in a state of nature.

However the globalized related to corporate activities seem to go hand in hand with Kant's cosmopolitan wishes. Based on the self-regulating market, things may seem to reach a higher moral phase with the increasing growth of popularity in CSR and Corporate Citizenship, popularizing the moral dimension of corporate governance. The market is not only self-regulating economically, but also morally. That is, if nature's plan comes into fruition.

## Summary

This section has discussed the initial conditions of businesses and enterprises (thus also corporations), in order to understand the developments of their social and political roles. Here are our observations:

We first discussed from Rousseau's perspective a hypothetical scenario, in which the absence of economic systems would lead to a state of equality. The more we enter into a social state, the more

---

<sup>98</sup> Scherer, A.G., Rasche, A., Palazzo, G. & Spicer, A. "Managing for Political Corporate Social Responsibility: New Challenges and Directions for PCSR 2.0". *Journal of Management Studies*, 053(3) (2016), 283-6

<sup>99</sup> Kant, I., "Idea for a Universal History from a Cosmopolitan Perspective", *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:25



inequality grows. From Rousseau's perspective we can analyze how the introduction of social and economic interdependences as well as coercive social forces introduced by the market would create issues related to inequality. It is therefore the market actors' responsibility – which include corporations, to reverse the detrimental side-effects of their activities by focusing on the common-good if we are to regain the freedom and goodness of the unequal state of nature.

Next, we presented a dystopian Hobbesian view, in which market exchanges took place without any overarching authority, creating a socially unstable market. This provided an argument for the necessity of laws, norms and standards and discussed how self-interest would affect both their creation and maintenance. The discussion moved on to how power was legitimized through social contracts and discussing how this could be applied to understanding the regulating actors in the economy. We also discussed potential Leviathans – i.e. artificial bodies of power that could regulate the market. Here we suggested both the state and the market's self-regulating power as viable candidates.

The relations between state regulations and market forces, were discussed in light of Polanyi's double-movement, which could be seen as a state of nature-like conflict. Here we applied both a Hobbesian and Kantian perspective. The first perspective would observe the conflict as a cause to peace, whereas the other would see the conflict as nature's end to peace. According to this last perspective this relates to corporate social responsibility, where corporations go from being purely self-interested actors, into focusing on the common good. We can from the analysis above see how norms, conventions and laws are derived from both individual motivations from the state of nature as well as the mechanisms that secure its transition into a social order.

## SECTION 4: MODELS OF PARTICIPATION

As discussed in the first section, corporations have acquired a higher degree of political participation as a result of privatization and globalization. They have created new consumer markets, generated cross-border activities and assumed greater political and government-like roles, particularly in regard to accountability and delivery of public goods. In addition to the effects of privatization, Matten, Crane and Moon have pointed out that governments have encouraged and enhanced corporate participation in government-like activities. This new political status has in turn made the corporations more responsible. This was historically initiated by governments through laws and regulations. Soft regulations such as mandating, partnering, facilitating and endorsing have also been used to promote responsible behavior from corporations.<sup>100</sup>

In this section, we will discuss the different models of participation inspired by the political philosophies of Rousseau and Kant, and suggest how these in turn can reflect the way in which corporations take part in political processes. Matten, Crane and Moon, with their concept of *corporate citizenship*, have attempted to analyze corporations in light of modern and contemporary political theory and philosophy. The purpose of this conception is to increase the understanding of the new social and political roles as well as the power-relations corporations find themselves in.<sup>101</sup> The concept of citizenship opens up for examinations of the ways in which power and responsibility is being exercised. In this regard, the models of participation to be presented here, may contribute to the concept of corporate citizenship, by covering different perspectives on how corporations participate in the process of policy and norm-making.

### Corporation and Citizenship

Corporate citizenship is defined primarily by the rights corporations have in common with individual citizens as being ruled, but also in taking part in governance, becoming themselves “rulers”. Corporations thus become citizen-like, as they are being ruled simultaneously with having the possibility of affecting the ruling entity. Within the conception of democratic systems, corporations become citizen-like “individuals” by being subject to authority. At the same time, they hold significant power though influencing policy outcomes and the overall governance process, making

---

<sup>100</sup> Moon, J., Crane, A., Matten, D., *Responsible Organization Review*, 85-6

<sup>101</sup> *Ibid.*, 82-9

them part of the authorship of power. Corporations are usually members of political and social communities and thus engage with other members, affecting the whole political process. They are also influenced by the implemented laws and policies, to which they have a right to react. They add their own values and interests to the democratic machinery, having natural parts to play in the process of governmental law-making – partly through pressure group activities and lobbying towards governments or other institutions, partly exerting influence through business associations and the media. This activity of influencing policy-making processes is known as “corporate political activity”.<sup>102</sup>

Corporations also participate in community processes in regard to decision-making and mobilization, usually through partnerships with non-profit and governmental organizations, usually in the form of multi-stakeholder initiatives. In these cases, corporations take part in policy-making processes outside official political institutions. In line with this framework, corporations take up more governmental-like roles. They become ruling political entities through government-like powers and responsibilities, usually in order to fill regulatory gaps caused by globalization and privatization. For instance, corporations may take a more governmental role in countries where national policies on environmental and social issues are absent. In such cases, corporations may create and implement soft-law standards to cope with the lack of national governance. Similarly, corporations can create and (re)distribute welfare goods. This aspect will, however, not be discussed in this thesis as it goes beyond its scope. Another discussion that will be excluded concerns corporations as facilitators of citizenship by creating arenas and platforms where stakeholders can act and express their citizenship for example through corporation’s social media presence.<sup>103</sup>

According to Crane, Matten and Moon, corporations may be perceived as “artificial persons”, independent of the individuals that constitute it. Corporations can be said to have a functional identity, becoming a “person” or “citizen”, as they negotiate and sign contracts, simultaneously being held responsible, blamed or praised, for their actions. Thus, they function as entities that can be morally judged for acting good or bad, also judicially. They are entitled to legal protection and compensation, as well as having the ability to enter into legal agreements and owning property. Corporations may employ workers, fire people, sue and get sued. A legal identity is thus formed.

---

<sup>102</sup> Anastasiadis, S., “Toward a View of Citizenship and Lobbying: Corporate Engagement in the Political Process”, *Business & Society*, Vol. 53(2), (2014), 265, 273

<sup>103</sup> Moon, J., Crane, A. & Matten, D., *Responsible Organization Review*, 88-91

However, they distinguish themselves from individual citizens, particularly regarding their status, as they do not have the right to vote in official elections or sit in juries.<sup>104</sup>

Corporations as citizens are not in fact citizens or governments, but rather “citizen-like” or “governmental-like”, by sharing similarities with them in the traditional sense. The concept of corporate citizenship is therefore metaphorical, with the purpose of being used as background for analyses of corporate behavior. The concept of corporate citizenship allows for applications of political theoretical analysis of its political participation. This form of analysis has been conducted earlier by, among others, Matten, Crane and Moon, as well as Scherer and Palazzo.<sup>105</sup> Unlike other contemporary scholars, we refrain from applying Habermasian theories of deliberative democracy in our analysis, rather focusing on democratic and republican theories from Rousseau and Kant (Hobbes will be excluded from this particular analysis as his model is unfit in regard to political participation; for additional elaboration, see section 1). It is important to keep in mind that the presented theories of political participation are not originally dedicated for this application. Our goal is not to prove these theories perfectly “fit” (even if they do, on certain aspects), but rather see how they could contribute to new perspectives and allow us to analyze corporations’ social and political roles in different ways. We will at first introduce briefly the political theories of Rousseau and Kant before applying the presented framework to the analysis of corporate political participation.

### **The General Will through Participation**

A common denominator in Rousseau and Kant’s political theories of government, is the concept of sovereignty related to the notion of the *general will*. The general will can be explained as the collective will of people, in contrast to individual interests. It usually entails concerns for the common interest and common good. However, the notion is only an ideal, which political deeds and actions are measured against: is the policy in harmony with the wishes of the people? When a policy or a law matches the general will, it is considered legitimate based on an acceptance of a whole people, as individuals together form a political body.<sup>106</sup>

---

<sup>104</sup> Moon, J., Crane, A. & Matten, D., *Responsible Organization Review*, 89

<sup>105</sup> Moon, J., Crane, A. & Matten, D., *Business Ethics Quarterly*, 430-2

<sup>106</sup> Rousseau, J.J., “On the Social Contract”, *The Social Contract and The First and Second Discourses*, Reworked version of Henry J. Tozer’s Translation by Susan Dunn, (Yale University Press 2002), 163- 4

*“Right away, in place of the particular individuality of each contracting party, this act of association produces a moral and collective body, composed of as many members as the assembly has voices, and which receives from this same act its unity, its common self (moi), its life, and its will.”<sup>107</sup>*

As mentioned, social contract theory states that a contract is legitimized through common acceptance from contracting actors. In society, this constitutes the general will, and for both Rousseau and Kant, a policy can be legitimized and gain a moral standard only when the legislation is congruent with the general will (i.e. public acceptance). According to Rousseau, sovereignty is constituted by one body. Thus, harming a singular will, equals harming the whole political body. Taking this into consideration, a sovereign can have no power contrary or opposed to the ruled, as the sovereign is reflected in the wills of the ruled.<sup>108</sup> Why is this concept central to the debate of corporate citizenship and corporate social responsibility? According to Andreas Georg Scherer, Dorothee Baumann-Pauly and Anselm Schneider, corporate citizenship and corporate social responsibility, in contrast to corporate political activity, focus on public interests, rather than just the self-interest of the firm.<sup>109</sup>

There are crucial theoretical differences between the thinkers’ way of relating to the notion of the general will, and they both present benefits as well as limitations. Rousseau puts a lot of emphasis on participation, which categorizes him as a democrat. Each citizen represents a will, and the best way to reflect the general will is through direct democracy, in that each vote constitutes a singular voice, which, when aggregated, reflects the general will. An issue commonly associated with Rousseau’s theory is the problem of the tyranny of the masses, namely that a majority ends up dictating a minority. Rousseau acknowledges this dilemma and makes a clear distinction between the “will of all” and the general will. The latter constitutes a consensus and represents the common interest, whereas the “will of all” expresses private interests that when in majority will trump the minority. In order to secure the general will, it is important that individuals focus on the common interest, rather

---

<sup>107</sup> Rousseau, J.J., *The Social Contract and The First and Second Discourses*, 164

<sup>108</sup> *Ibid.*, 165

<sup>109</sup> Scherer, A.G., Baumann-Pauly, D. & Schneider, A., “Democratizing Corporate Governance: Compensating for the Democratic Deficit of Corporate Political Activity and Corporate Citizenship”, *Business & Society*, 53(2) (2014), 278-9

than their selfish ends, as the common interest would in turn reflect each participants' best interest in the long run.<sup>110</sup>

In this regard, a question remaining to be asked is whether corporations represent an aggregation of wills (as corporations are constituted by individual citizens) or a will in itself. If we follow the argument presented by Moon, Crane and Matten that corporations can be perceived as artificial beings, or citizens, then this poses no issue in regard to Rousseau's model. In that case, a corporation acquires the right to become a part of the sovereign body, just like individual citizens. But if we see corporations as an aggregation of individual wills, it becomes more problematic, because it would imply that corporations represent factions of wills rather than an individual will. Rousseau saw political factions driven by self-interest as a detrimental, dividing and evil factor within the political body.<sup>111</sup> If that is right, the moral justification for lobbying is challenged. If, on the other hand, corporations are seen as individual wills, their representation is justified – at least in theory. In a similar light, corporations have a right to express their will if the generated policies are affecting or contradict or even violate their "will". Based on the notion of corporate citizenship, they will have a right to react by expressing their will. However, if the will of corporations is driven by self-interests that are contradicting the general will their participation loses legitimacy. A Corporation's self-interest therefore have to synergize with the common interest.

### **Participation and Deliberation**

Rousseau's theory opens for a model of participation, where different actors can voice their will and affect policy outcomes. This is useful regarding corporate political actions, as many affect a significant numbers of stakeholders. Through participation, policies will gain democratic legitimacy, as well as granting additional knowledge and expertise to the process, potentially leading to better outcome for everyone involved. The issue, however, is that neither corporations, nor civil society organizations (like NGO's), are allowed to vote in official elections. What makes this even more challenging, is that Rousseau was not a proponent of public discourses (central to models of deliberative democracy), which has been suggested as a solution to corporations' lack of "voting"

---

<sup>110</sup> Rousseau, J.J., *The Social Contract and The First and Second Discourses*, 166, 182

<sup>111</sup> *Ibid.*, 173

right – a limitation itself to Rousseau’s model.<sup>112</sup> According to Rousseau, such acts of public deliberation would create factions in society, which in turn could corrupt the general will through creation and imposition of special-interests on the political body. One pre-requisite for ensuring the general will, is that each individual will remains unaffected and “raw”. This is a real limitation, as corporations do in fact engage in public deliberations with governments and civil society, often attempting to affect public opinion. It is for this reason the models of deliberative democracy have popularly been used in analysis of corporate political participation. But this model is also prone to several difficulties. Moon, Matten and Crane, referring to Joshua Cohen who, when defining deliberative democracy, note that:

*“[...] the outcomes of deliberative democracy are only legitimate if and only if they could be the object of free and reasoned argument among equals.”*<sup>113</sup>

But this is obviously not the case. Some corporations are more influential than others, either in regards to economic or social capital. In that case, outcome of deliberative discourses and processes are not legitimate. Rousseau states that inequality in wealth and status would cause problems to his model of participation for similar reasons.<sup>114</sup> On the other hand, Kantian theory opens for public deliberation. But that discussion would go beyond the scope of this thesis.<sup>115</sup>

### **The General Will through Representation**

Kant was clearly far less of a proponent of democracy than Rousseau. Even though Rousseau acknowledges the issues related to the tyranny of the masses, Kant saw this as a directly negative feature of democracy, going as far as to calling a democracy (in its purest form) a form of despotism based on the possibility of violating individual wills, particularly those in a position of minority. Such infringement contradicts the notion of freedom – an aspect central to Kantian philosophy. Freedom is central in Rousseau’s thinking as well, as he clearly believed his system to be built on an ideal of

---

<sup>112</sup> Baur, D. & Arenas, D., “The Value of Unregulated Business-NGO Interaction”, *Business & Society*, 53(2), (2014), 161-167

<sup>113</sup> Moon, J., Crane, A., & Matten, D., *Business Ethics Quarterly*, 440

<sup>114</sup> Rousseau, J.J., *The Social Contract and The First and Second Discourses*, 202

<sup>115</sup> O’Neill, J., *Res Publica*, 251-256

freedom. Yet, for Kant, freedom is not maintained through democratic means, but rather through a republican system, in which individual freedom is secured through a constitution.<sup>116</sup>

*“The republican constitution is a constitution that is established, first, according to principles of the freedom of the members of a society (as human beings), second, according to principles of the dependence of all on a single, common legislation (as subjects), and third, according to the law of the equality of the latter (as citizens of the state).”<sup>117</sup>*

We will here discuss what he refers to as juridical (external) freedom, defined as *“the authority to obey no external laws than those to which I have been able to give consent”*. In other words, each law must be made with the consent of everyone. Additionally, the law must be universally valid, in that *“no one can place another under a legal obligation without similarly submitting himself to a law according to which he can be placed under a similar obligation by the other”*. The latter makes up his principle of juridical equality. For a law to be valid, one must consent to it, while it also has to become universally accepted. This implies that everyone has consented to it in the first place (at least hypothetically), and thus have a duty in following it. Universal acceptance is crucial. When it comes to his last principle of juridical dependence, Kant refrains for discussing it any further, as he claims the principle lies in the concept of a state constitution itself.<sup>118</sup>

### **The Legality of Soft-Laws**

A crucial issue presents itself, namely that the only constitutions that regulate corporate actions are national (and regional) laws. We have discussed the limitations of the national state when it comes to regulating corporate activities (see section 1). On an international level, we are left with international legislation, which in specific situations turn out lacking enforcing legal power. The UN’s *Global Compact*, which happens to be a voluntary initiative between corporations to present a standard for responsible business practices in regard to the environment, anti-corruption, labor and universal human rights. Not only is this initiative voluntary but also only a principle-based initiative. By this there are no seals of approval for firm’s actions, nor any mechanism for assessing compliance. There are no ways to actually prove that corporations actually follow the principles they have

---

<sup>116</sup> Kant, I., “Towards Perpetual Peace: A Philosophical Sketch”, *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:351-2

<sup>117</sup> *Ibid.*, 8:349-51

<sup>118</sup> *Ibid.*



consented to. Instead, the UN Global Compact sets the baseline values and principles for responsible business practice, however without intentions of enforcing or measuring the behavior of participating firms.<sup>119</sup>

However, many corporations do self-regulate through what is known as *soft-laws* (in addition to national and international law). Soft laws are usually founded on multi-stakeholder initiatives – in which corporations take part in the process of soft-legislation. A multi-stakeholder initiative is a private form of governance, which can be defined as institutions involving primarily corporations, civil society organization (such as NGO's) and other actors, such as governments, academia and unions. They gather in order to find ways to cope with social and environmental challenges, both across industries and on a more global scale. They fill regulatory gaps (see section 1) primarily through the issuing of “soft-law” standards, which are generally non-binding voluntary rules.<sup>120</sup> Some examples of multi-stakeholder initiatives are:

- Responsible care – which covers sustainability standards in the chemical industry. Participants are corporations, governments, unions and NGO's.
- Partnering Against Corruption – in which academia, governments and corporation participate.
- GoodWeave – which focuses primarily on issues related to child labor in which NGO's, governments and corporations are the participants of initiative.

There is at this point, no intra-national constitution that could institutionalize the “soft law” standards. One could argue that the consensus between the “contracting individual” is enough to legitimize them, and that enforcement is secured through (social) sanctions in that failures in following conventions can become detrimental to a firm's reputation. A standard that is more institutionalized, are certifications. Certifications in themselves may not only serve as powerful marketing gambits towards consumers, but a lack of them can generate losses of business opportunities as many major corporations expect certain certifications from suppliers before considering forming business relationships. Certifications that spring to mind are the SA8000 and the Fair Labor Association (both concern labor rights and social issues related to labor).

---

<sup>119</sup> Gilbert, D.U., Rasche, A. & Waddock, S. “Accountability in a Global Economy: The Emergence of International Accountability Standards”, *Business Ethics Quarterly*, 21(1), (2011), 23

<sup>120</sup> Mena, S. & Palazzo G., *Business Ethics Quarterly*, 527-8, 534-5

The difference between certifications and principle-based standards, is that certifications requires verification and monitoring of the firms' actions in relation to a set of criteria. In addition to certifications, we find other standards in regard to reporting (the most widely used is known as the "Global Reporting Initiatives" that sets guidelines for non-financial reporting) and processes (such as AA1000, which gives corporations guidelines towards understanding, implementing, governing and monitoring their accountability). None of these standards are hard laws, as they are not legally binding, lacking hard sanctions and similar rigorous enforcement mechanisms. But the soft- laws can be hardened over time as a result of pressure for standard adoption. Such pressure can be expected from governments (in order to avoid further regulations), pressure from civil society, consumers and NGO's (to which corporations may comply to avoid bad publicity caused by organized social actions against them).<sup>121</sup> We may thus see the soft laws as "semi"- or "quasi"- institutionalized. In such terms, although not perfect, they resolve partly the issues related to the lack of hard laws, central to republican constitutions, including Kant's.

The idea of self-regulation is also very in-line with Kant's philosophy of what constitutes a proper and morally just ruler. Kant mentions clearly that humans, like animals, need a master, and sees this as a potential abuse of power. His argument is that such authority is in fact human, and thus has similar unsociable predispositions for treating oneself as an exception to the limitation of freedom being imposed on others. He therefore suggests that the master breaks his own will and limits his own freedom before in turn limiting the freedom of others – making sure that the rules of the implemented social order become universally valid.<sup>122</sup> The "master" or "the ruler" therefore has to self-regulate in Kant's polity. Considering that corporations, based on the notion of citizenship, can act as rulers, it follows from Kant's thinking a necessity for self-regulation.

We can also note that multi-stakeholder initiatives constitute a form of democratic participation, where actors participate in the formation of policies and standards. However, following Rousseau's model, the amount of participation is limited, as not every affected party is represented directly. Individual citizens may be affected by its policy-output, yet they are often not granted the right nor the option to participate in multi-stakeholder initiatives. This poses a clear limitation in Rousseau's model, especially considering the participating parties as "factions" rather than individual wills.

---

<sup>121</sup> Gilbert, D.U., Rasche, A. & Waddock, S. *Business Ethics Quarterly*, 23-30

<sup>122</sup> Kant, I., "Idea for a Universal History from a Cosmopolitan Perspective" *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:33

In Kant's views, representativeness constitutes the main requirement. If the different actors are representing the interests of all affected parties, including individual members of civil society, then the requirement is fulfilled. The important premise for the legitimacy of representativeness, is that it must reflect the principles of freedom and equality. In other words, the legitimacy builds entirely on the idea of consensus between all contracting and affected individuals, ranging from corporations to NGOs, governments and civil society. In Kant's political philosophy, the laws, in this case also the soft law standards, must respect the general will. This view follows Rousseau's, though they differ in their views on the method for discerning the general will.

Kant saw democracy more as a supplement than a pre-requisite for defining the general will.<sup>123</sup> He even suggests a republic without any form of participation, where the only pre-requisite for ensuring the general will is the legislators' hypothetical knowledge of it. Legislators must therefore be knowledgeable and able to create representative laws based on only a notion of a general will. It does not matter whether or not a voting takes place, for as long as the criteria of representativeness is respected, the laws are morally justified and legally legitimized. Perhaps the following could simplify the policy-making process, in that the legislating parties (corporations, governments and civil society) only have to take into consideration a hypothetical representation of the general will, rather than go through an entire voting process where each affected party is included? In Rousseau's model, direct democratic legitimization is a pre-requisite. In Kant's it is not, for as long as his notion of representativeness is upheld, then the convention is justified. From this perspective, Kant's theory may seem superior, but one ought to consider whether democratic legitimization should be a pre-requisite or a supplement. In this sense, Rousseau's theory may have some beneficial aspects after all.

We see obvious limitations when applying Kant's theory to corporations. One of his requirement relates to the need for checks-and-balance, implying that the executive power must be separated from legislative power. In the case of for instance multi-stakeholder initiatives, firms can be both executors and legislators in regard to development and implementation of policies. Rousseau also

---

<sup>123</sup>Kant, I., "On the Common Saying: That May Be Correct in Theory, But it is of No Use in Practice," Translated by Mary Gregor in *Practical Philosophy*, (Cambridge University Press, 1996), 8:304  
Caranti, L., "Kantian Peace and Liberal Peace: Three Concerns", *The Journal of Political Philosophy* 24(4), (2016), 450-2

emphasized a form of separation of power, where a magistrate should serve as executor, while the legislator would act on the general will – i.e. the people. This poses limitations to both models.<sup>124</sup>

### **Ideals against Praxis**

Another potential limitation, is that Kant's theory may at first seem idealistic. Kant acknowledges this himself, and distinguishes between ideals and praxis, ideals constituting the aim to strive towards. His theories should be regarded as normative guidelines for current practice. Kant states that, according to nature's plan, humanity would see benefits in a republican system, as it is a crucial element in maintaining perpetual peace. As mentioned, it is only through war, conflicts and repeated failures of states that humanity could come to reason and eventually be brought closer to an ideal political body. Rousseau's theory in that sense could also seem idealistic, as he sees his political system as a mean to regain individual freedom from the corrupted and coercive social order. Since we cannot go back to the ideal state of nature, Rousseau claims that we should use reason, a property which initially coerced us, as a mean towards liberation. Acting according to the general will is for both Kant and Rousseau an act of reason – granting it a normative dimension.<sup>125</sup>

### **Summary**

In this section we have discussed the concept of corporate citizenship, in which corporations, much alike citizens, can both rule and be ruled, in the respect that they are governed by national and regional legislations and simultaneously may influence and affect the law-making process. Corporations also enter into different forms of partnership with NGO's and civil society, as well as taking part in multi-stakeholder initiatives, where they unfold a political function outside the official political arena. The concept of corporate citizenships allows for conceptual clarity in analyses of corporation's political role. Additionally, this framework opens for application of models from political theory to analyses of corporate political participation, in which we applied Rousseau's

---

<sup>124</sup> Kant, I., "Toward Perpetual Peace: A Philosophical Sketch", *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:351-2

Rousseau, J.J., *The Social Contract and The First and Second Discourses*, 195-202

<sup>125</sup> Rousseau, J.J., *The Social Contract and The First and Second Discourses*, 156-163

Kant, I., "Toward Perpetual Peace: A Philosophical Sketch", *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:366

democratic theory as well as Kant's republican. The first theory emphasizes actual participation, where conventions are derived from an aggregation of wills, whereas the second theory focuses more on the hypothetical aspect, where conventions are legitimized if, and only if, they are representative of the general will.

## SECTION 5: THE FOUNDATIONS OF CONVENTIONS

We have previously suggested models of participation in which corporations take part to form policies together with other actors such as governments and NGO's. The focus has been on the context, or rather the model, in which corporations form conventions. Whereas we previously focused on how conventions were created, we will now see what these conventions should entail, specifically what distinguishes those that are morally justified, from those that are not. What are the criteria for good conventions? Conventions are central to social contract theory, as their premises are by principle embedded in the social contracts. This section will provide a normative aspect to this thesis, by suggesting an ethical analysis of corporate convention in light of the social contract theories presented so far. The three dimensions of what constitute an optimally good social contract are the following:

- Economically and legally justifiable, constituting the baseline – conventions have to be legal as well as economically profitable.
- Socially justifiable – conventions have to be based on an acceptance from stakeholders and civil society in general.
- Ethically justifiable (the moral aspect) – conventions have to be justified in the sense that they do not violate other affected parties' moral rights.

These "justifications" can be interlinked, as they often build upon and affect each other. Each of them is inspired by our three thinkers. As we will see, conventions tend to be based on information discerned from either the initial condition (the state of nature), the social order, or the transition between both states. We will discuss the potential motives behind conventions generally, derived from premises presented in light of each of the thinker's ideas of human nature.

By conventions, we refer to rules imposed by society, the agreement between various actors on what is right and wrong, tolerable and non-tolerable, legal and illegal. In regard to legal aspects, we must bear in mind that laws are just institutionalized conventions, which a legitimate power has been granted the right to enforce, if necessary through means of violence. But conventions could also be mere norms or standards, or general rules of action that are perceived by others as either "just" or "unjust", "right" or "wrong".<sup>126</sup> It is not uncommon that corporations, due to their

---

<sup>126</sup> Donaldson T., "Ethical blowback": the missing piece in the corporate governance puzzle - the risks to a company which fails to understand and respect its social contract," *Corporate Governance* 7(4), (2007), 536

cosmopolitan nature and position outside the regulating power of national states, are known to self-regulate through soft law standards. Soft-laws could in this regard may be seen as conventions. The following discussion covers the three premises for what good, legitimized and morally justified conventions should contain, based on the central theories of the three philosophers.

### **Economic and Legal Justification**

We will first cover the baseline on which conventions are built, according to some social contract theories. The baseline can be found in what Hobbes and Kant refer to as *Natural Rights/Laws*. Natural rights/laws are defined as rights that individuals possess even outside a common-wealth – i.e. rights and laws that are existent also in the state of nature. Hobbes defines natural rights or laws as the right to self-preservation. As mentioned, the Hobbesian definition of the state of nature is one of a constant state of war between each and every one. In that case, each individual ought to have the right to secure its own survival. The introduction of laws and rules in the common-wealth are not necessarily based upon natural laws, yet they make up the root of civil laws and rights. Securing peace and order through a common-wealth is in fact authorized through individuals' motivations in regard to self-preservation and may be seen as an expression of their natural rights. In relation to self-preservation, peace appears more beneficial than war.<sup>127</sup> The fall of the common-wealth would entail the resurrection of a state of war, thus the common-wealth is maintained through the fear of returning to the state of nature, a fear that prevails even in the civil state. The Leviathan's absolute power is only legitimate as long as it is able to guarantee peace and individuals' self-preservation. If a state of war erupts, the foundation upon which the Leviathan's power is based upon vanishes, as its sovereignty becomes de-legitimized.<sup>128</sup>

The element concerning natural rights and laws is interesting when applied to corporations, as corporations are also driven by instincts related to self-preservation. In this respect, self-preservation is usually linked to economic terms, as making money is a necessity for businesses' survival. If profits fall, the risk of bankruptcy and possibly extinction becomes imminent. If we follow the argument that individuals join together forming conventions under a civic banner in the name of self-preservation, it follows that corporations would only comply with CSR policies if there is a business case related to

---

<sup>127</sup> Coli, D., "Hobbes's Revolution", in Khan, V., Saccamano, N. & Coli, D., (eds.) *Politics and the Passions, 1500-1850*, (Princeton University Press, 2006), 80

<sup>128</sup> Hobbes, T., *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 80, 136

it. If conventions related to CSR are not contributing to their economic self-preservation, the social contracts would suffer from lack of justification. Most corporations engage in CSR activities as a mean to either preserve their reputation or obtain a positive reputation. Both intentions are linked to economic gains, as negative reputation would have unfavorable impacts on income (stock value usually falls after a corporate scandal), including loss of business opportunities, while a positive reputation can serve as an effective marketing tool, as well as making the corporation more appealing for potential partnerships.<sup>129</sup>

The legal aspect should neither be neglected. Bad corporate behavior results in the potential creation and enforcement of national and regional legislation, sometimes not beneficial to the corporation, as it limits their space of operation. This way, positive reputation translates into goodwill capital, which in turn may be invested in political power to encourage more beneficial legislations, again in the name of self-preservation. The bottom line is that a convention must, both in the short and long run, fit with the ideal of self-preservation. In other words, businesses have an underlying need for applying CSR-policies.<sup>130</sup>

This notion of self-preservation and natural rights/ laws is consistent with both Hobbes and Kant's theories but not Rousseau's (see section 2). Kant shares a similar view of the state of nature as Hobbes – a state defined by war, which gives individuals right to self-preservation. Rousseau differs from Hobbes and Kant in that he sees rights and laws as a result of a social order, not something that occurs in the state of nature. For Rousseau, the state of nature is free from social rights and laws. That said, individuals still have to focus on self-preservation in the state of nature; hostility may erupt, and individuals will have to defend themselves accordingly.<sup>131</sup> Nevertheless, the lack of "rights" and "laws" in Rousseau's views on the state of nature, does not seem to pose any huge theoretical problems here.

---

<sup>129</sup> Rasche, A., Morsing, M. & Moon, J. "The Changing Role of Business in Global Society: CSR and Beyond", in: Rasche, A., Morsing, M. & Moon, J. (Eds.) *Corporate Social Responsibility – Strategy, Communication, Governance*. (Cambridge University Press, 2017).

<sup>130</sup> Rasche, A., *European Management Journal*.

<sup>131</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 798-799

Rousseau, J.J., *The Social Contract and The First and Second Discourses*, 156



## Social Justification

Is a corporation's policy socially justifiable? In other words: are its current norms and conventions a result of common agreement or at least acceptance between stakeholders? This aspect is essential and closely linked to the notions discussed above. If a firm does not follow existing social norms and standards, it may be prone to social and, in turn, economic sanctions. Perhaps more important is that conventions serve as guidelines for what is respectable behavior, allowing corporations to publicly legitimize their actions. A corporate norm or convention can often be rephrased as industrial standards and may easily serve as rhetorical justification for the way corporations act. If a convention is socially justified, it has higher chances of gaining acceptance from stakeholders than if it is not. Lastly, as human individuals are social beings and corporations are constituted of individuals, corporations are therefore prone to be inspired by and follow the examples of others. It will most probably be beneficial for corporations to observe the social world in which they operate and let themselves be inspired by "norm setters". The biggest and most influential corporations such as IKEA and Nike, can therefore create and implement CSR-policies that others (often smaller firms) tend to be inspired by. This way, corporations may serve as a Leviathan-like figures, as they will indirectly have an impact on how other corporations choose to act.<sup>132</sup>

In regard to the social justification of conventions, there are two dimensions worth discussing: the first one, which we clearly see in Hobbes' thinking, claims that a body of power that sets norms exists only through the consent of individuals. For Hobbes, the initial social contract is the only covenant that is legitimized through public agreement, a covenant that grants supreme authority to one absolute body of power. Once this body of power has been implemented, it is only this body in itself that dictates the conventions, in which case the ruled (the people) will have little to say on how the conventions are built, unless the conventions (legislations) are breaking the natural laws. According to this dimension, it is only the author of the norms that is conventionally legitimized, not the norms themselves. The granting of power to form norms and conventions is being legitimized by consent of individuals, and the norms produced by such an entity are legitimized only in light of the power of the consent related to the initial authorization.<sup>133</sup>

---

<sup>132</sup> Ingenbleek, P., Binnekamp & M. & Goddijn, S., "Setting standards for CSR: A comparative case study on criteria-formulating organizations", *Journal of Business Research*, 60, (2007), 543- 548.

Manning, S. & Reinecke, J., "A modular governance architecture in-the-making: How transnational standard-setters govern sustainability transitions", *Research Policy* 45(3) (2016), 618-622.

<sup>133</sup> Hobbes, T., *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 133

The other dimension, which builds upon the first, entails that individuals have a right to participate in the creation of norms. Jean-Jacques Rousseau stresses the importance of full citizen-participation. Each individual represents a will, making participation the cornerstone of his democratic system. He claims that we are unable to return to the state of nature, which he sees as a condition free from inequality and social coercion, and suggests instead the implementation of a democracy, in which individuals have the right to express their wills and take part in the formation of conventions and policies. A “will” in this context is defined as an individual preference or desire. A just convention, according to Rousseau, is one that expresses the general will. From this perspective, the right convention is usually derived from the preference of the majority.<sup>134</sup>

Both Hobbes and Rousseau claim that one ought to follow conventions that one may not have agreed to. In the case of Hobbes, one may for instance not agree with decisions made by the Leviathan. But based on the initial contract, in which humankind legitimizes this body of power, individuals are not only obliged, but may also be acting according to their own self-interest when following rules that are imposed on them. From this perspective, corporations ought to follow rules expressed in the form of laws from national states or entities with authority to create conventions.<sup>135</sup>

Rousseau’s perspective may seem better fit, since the social contract not only legitimizes the body of power, but each convention is legitimized through individual consent – unlike in Hobbes’ theory. However, Rousseau’s perspective can also appear somewhat totalitarian, in the way that conventions can be based on the sum of wills leading to a tyranny of the masses. The majority wins, the minority loses. In other words, a losing minority that did not consent to the convention, is forced to comply with the will of the majority. But that would be a misreading of Rousseau, who was fully aware of the problems related to that issue. He emphasized the importance of focusing on the general will and not on special interests. Even in cases where conventions are formed by a majority, laws and regulations would have to reflect the general will rather than “the will of all”. This entails that citizens as voters have a moral duty to consider the common goods rather than only their own self-interests.<sup>136</sup> This adds another criterion for justification that corporations, governments, NGO’s and civil societies have to bear in mind when creating conventions. They must pay respect to the

---

<sup>134</sup> Rousseau, J.J., *Classics of Moral and Political Theory*, 810

<sup>135</sup> Hobbes, T., *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*, 105-6

<sup>136</sup> Rousseau, J.J., *The Social Contract and The First and Second Discourses*, 162-166, 172, 180-182

wills of others and not only consider their own self-interest. In short: the common good has to be taken into consideration.

Nevertheless, Rousseau's perspective is still far less totalitarian than that of Hobbes, as it opens for a large number of actors to be allowed to participate in the process. The bigger the participation, the more legitimate the convention becomes, as it is based on the general will derived from the gathering of all (or least a more significant number of) affected parties. In this case, one should allow NGO's, corporations (big and small), governments (which technically represent the collective will of civil society) and also perhaps affected individuals of civil society to take part in the process of forming conventions.<sup>137</sup>

There are, however, some pitfalls, as a main premise of democracy is that each "will" weighs equal. That is an unrealistic assumption, as not all actors in real life have equal power – some of them are obviously holding superior power than others. In the same way, some corporations have significantly more power than some governments and other corporations, and governments and corporations surely have more power than most individual actors in civil society. Nevertheless, the inclusion of wills, still contributes to increased legitimization. The question is whether such vast inclusion of participants is practically doable.

### **Ethical Justification**

We will discuss the ethical justification of conventions, concentrating primarily on Kant's moral philosophy. Our project may seem to differ from the usual elaboration of Kant's deontological moral theory, as we will bridge it with a contractualist version of social contract theory. Initially, Kant's moral theory is linked to a heavy metaphysical groundwork. Our assumption is that Kant's famous moral maxim known as the *categorical imperative*, is in fact only a hypothetical contract between actors (in his case "whole of humanity") who have reached consensus about what is right. There is thus, through acts of reason, a universal agreement concerning how one should act, or rather how one should not act, in order to preserve the freedom of each rational individual. Such contractualist views on hypothetical contracts where consent is only given in theory (in contrast to actual

---

<sup>137</sup> De Dijn, A., "Rousseau and Republicanism" *Political Theory*, 46(1), (2018), 68-70

contracts), is inspired by Thomas Donaldson who also happens to be more than familiar with Kant's thinking.<sup>138</sup>

Actual contracts (contracts that are socially justified) seem to be built upon a *posteriori* consent – in other words, we could empirically observe each individual's attitude. Kant discerns his moral maxims as an *a priori* consent, i.e. being obtained only *in theory* through human reason – a feature he values highly. Kant sees human freedom and autonomy in light of reason, not passions. If morality is based on deterministic properties such as passions, which for Kant are empirical and controlled by deterministic laws of nature which challenges the notion of human autonomy and freedom as they would be impaired by any form of determinism. A lack of autonomy would then also impair the moral judgement of one's actions. Humankind is provided with the ability to rise above its animalistic nature and act as free rational entities through reason, as reason transcends the deterministic nature of passions. Reason being the author of human freedom and autonomy, it follows that morality can only be achieved through reason. It is on this background that morality has to be derived *a priori* and not *a posteriori*. Thus, morality is developed *a priori*, as it stems from acts of reason.<sup>139</sup>

As discussed earlier in section 2, nature has granted humanity the unique capacity of reason and the will to form societies, thus providing fertile grounds for human achievements. This "good will" is essential for humanity to transcend the state of nature – in which unsociability reigns. Unsociability is defined as a behavioral trait driven by passions which are derived *a posteriori*, making them an empirical human characteristic. Passions may not necessarily lead to bad actions but can give rise to egocentricity in the form of self-interest and self-love. As earlier discussed, they do not grant us any universal moral maxims.<sup>140</sup>

*A posteriori* knowledge is not universally valid, as it is contextually sensitive, being based on empirical observations that are vulnerable to contextual ambiguities posing challenges to universal validity. Kant's aim is to avoid any form of moral relativism, to ensure that morality becomes a universally valid discipline. Universality can only be reached if it is derived *a priori* (through reason), as *a priori* knowledge is universally true. Mathematics, which is the most famous form for *a priori* knowledge, is for instance providing universal truths (2+2=4 is for instance always true). Morality in light of being *a*

---

<sup>138</sup> Donaldson, T., *Business Ethics Quarterly*, 176-8

<sup>139</sup> Kant, I., *Grounding for the Metaphysics of Morals* (Third Edition, 1993), Translated by Ellington J.W., (Indianapolis/Cambridge: Hackett Publishing Company Inc., 1785)., 2:389, 3:390, 7:393-6,

<sup>140</sup> Kant, I., "Idea for a Universal History from a Cosmopolitan Perspective", *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, 8:18-19

*priori* knowledge based on logical derivations, follows the same standards. On this background, Kant deduces his moral maxim, known as the *categorical imperative*, a moral doctrine that would be universally agreed upon by each actor. In contrast, Rousseau's conventions are derived *a posteriori*, based on an aggregation of wills which can only be discerned empirically. The observation of expressed individual wills, is in this case prone to individual and contextual factors, giving room for relativity which would lead to a lack of universality.<sup>141</sup>

The maxim known as the categorical imperative, is thus universal, derived *a priori* and universally valid. It can be explained as a maxim built on mutual respect between rational actors. In that case, any action which would harm or violate the autonomy of rational actors is universally wrong. In other words, it is necessary to act only in ways that do neither suppress the reason, nor violate the autonomy of others. Kant's moral theory of freedom primarily focuses on safeguarding the freedom of individuals. He argues that each human individual must be able to live in freedom. Therefore, it is essential to limit individual freedom only insofar as to safeguard the freedom and autonomy of others.<sup>142</sup>

### **Utility's Place**

Could one use utility instead of deontological principles in the ethical justification (such as utilitarianism), when the focus is on common good? Even though Rousseau talks about the common good, we have been careful not placing him in the utilitarian camp, as that would be an interpretation of his philosophy that would be so controversial that it would require a thesis on its own.

But utility and the focus on consequences of actions, still have a place in Kantian deontology. In Kant's moral theory, it is not necessarily wrong to aim for positive consequences through acting in utility-maximizing ways. One is allowed to impose obligations on oneself in order to obtain positive consequences, as long as they do not violate the core principles of liberty derived from the categorical imperative. The hypothetical imperative allows moral principles to harmonize with the

---

<sup>141</sup> Kant, I., *Grounding for the Metaphysics of Morals*, 35:428 – 39:433

<sup>142</sup> *Ibid.*, 35:428 – 39:433

two criteria discussed earlier, namely the economic/legal and the social justification, as both are driven by an essence of utility.<sup>143</sup>

### **Passions against Reason**

We clearly see how Kant's ethic is built on reason, and as we have noted, this is because Kant holds human reason in high regard and sees it as a source of goodness. But what about the passions? Emotions, desires and passions are obviously a decisive force behind human behavior. All three thinkers discuss passions extensively. Hobbes sees passions and desires as a main driving force behind human activities. Reason is a calculus at the service of passions – a mean to guide the imagination and identify ways to reach the desired objectives.

Hobbes is not a hedonist in the strict sense of the word and argues that it is not the initial pleasures that lead to happiness. Happiness for Hobbes is derived from acquiring the ability to gain future pleasures. Power, good reputation and good relationships, can also serve as means to acquire goods. Such rationale is derived from what is known as moral egoism. This way of thinking is in line with corporations' self-interested instrumental motivations. It takes into consideration that acting "altruistically" may perhaps not serve a short-term end, yet may result in considerable advantages in the long run. From this point of view, moral egoism can actually lead to "good" actions. We may discern two key observations from this: (1) self-interest can lead corporations to good deeds, however (2) it is not the initial basic benefit that truly matters, but the long-term effects based on the ability to gain more benefits. The latter can lead to more long-term sustainable thinking.<sup>144</sup>

Rousseau and Hobbes, share similar views on reason as a tool at the service of passions and desires. However, unlike Hobbes, Rousseau claims that reason can also create desires and passion, and in turn result in corrupting desires. It is through reason that new desires emerged, which eventually led humanity away from the free and equal state of nature and into a coercive social order. Passions and desires in the state of nature were seen as pure, only to be corrupted when humankind entered a social order. He adds that emotions such as pity serve to define the goodness of humankind. Pity leads to altruism and caring for one another. Thus, some emotions may lead to good behavior that

---

<sup>143</sup> Kant, I., *Grounding for the Metaphysics of Morals*, 24:414- 26:416, 45:441

<sup>144</sup> Coli, D., *Politics and the Passions, 1500-1850*, 77, 80

Tännsjö, T., "Egoism and Contractualism", *Understanding Ethics: An Introduction to Moral Theory* (Second Edition), (Edinburgh University Press, 2008)

provides favorable ground for emotional connections between individuals. Pity in its truest form, according to Rousseau, is not driven by self-interest and expects nothing in return. It is a true form of altruism (see section 2).<sup>145</sup>

But we should be careful not to jump into the conclusion that pity is a source of moral behavior. Rousseau claims that pity could be clouded by self-interested motives, and that one may act out of pity in order to gain favors in return, or to oppress others by demonstrating a position of power over the needy. We could easily picture corporations acting out of “pity” or “philanthropy”, only to get favors in return, either directly from the receiver, or by acquiring a positive reputation.

*“It is precisely the ease with which compassion can be distorted that makes it impossible for Rousseau to make sympathy the basis of an ethical system, in the manner of his contemporaries Hume and Smith”.*<sup>146</sup>

This distortion of pity lies in the fact that humanity finds itself entangled in a social order where self-interest is dominant, which in turn corrupts the concept of goodness of the passions. It is only in the state of nature that pity can exist in its purest form. Kant avoids those issues altogether, as his moral principles are derived from reason, hence neither inflicted by self-preference, nor self-love. However, passion still has a place in Kantian thinking in the meaning that it can either reinforce good behavior or corrupt the moral maxims – depending on the particular desire or passion.<sup>147</sup>

### **The Issues of Moral Imperialism**

Kantian deontology is often associated with Western thinking, and his impact on Western civilization is obvious. In its most extreme form, the forcing of moral maxims upon other cultures may be seen as a form of moral imperialism.<sup>148</sup> Hobbes, on the other hand, takes a form of moral relativism into consideration. However, differences between personal (and hence also cultural) preferences may be a source of conflict, and Hobbes uses this as a justification for absolute power – which seems even more coercive than the Kantian model. Rousseau’s theory, on the other hand, could open for participation of different “wills”. This presents us with the issue of the tyranny of the masses. A

---

<sup>145</sup> Coleman, P., “Rousseau’s Quarrel with Gratitude” *Politics and the Passions, 1500-1850*, 136-7

<sup>146</sup> *Ibid.*, 137

<sup>147</sup> Caygill, H., “Kant and the Relegation of the Passions” *Politics and the Passions, 1500-1850*, 195-7

<sup>148</sup> Donaldson, T., “Values in Tension: Ethics Away from Home”. *Harvard Business Review*, 74(5) (1996), 48-62

liberal baseline inspired by Kant's thinking, may help safeguard the will of minorities so that their dignity and identity can remain safe.

One could argue that most cultures and religions would be coherent with most of the limitations imposed by the *categorical imperative*. Yet to some readers, this may not seem too convincing. However, the criteria of social justification that we covered earlier would anyhow counteract these potential issues by safeguarding citizens from potential moral imperialism through allowing parties from other cultures to have a say and thus secure a system of checks-and-balance within the social contract. The criteria presented may help limit and counteract one another's potential pitfalls and limitations, implying that if the actual contract and the hypothetical contract are coherent with each other, we are getting closer to a legitimized action.<sup>149</sup>

The ethical aspect only adds to the justification – as the trifecta (the economic, social and ethical justification) only form stronger conventions. The question is whether maxims derived from hypothetical consent can match actual consent. If they do not, it may turn out that all affected parties have not been included in the process, or that some wills were expressed louder than others which means that certain special interests have prevailed. There is also a potential risk for scenarios in which all actors agree on courses of actions that are inherently bad. Moral maxims may in this case serve as a safeguarding against that sort of situations, in addition to contribute to further justification.<sup>150</sup>

## Summary

The overall idea with the baseline presented for the justifications of conventions, is that they should be founded in an economical baseline. They should not go against the natural rights of corporations that ensure their survival. If a convention is not economically beneficial, or worse, economically detrimental to corporations, chances are that the convention would neither be followed nor be justified. The social justification makes us understand what is in touch with social norms and what is not, and how we should act in regard to the actual cultures in which we operate, as well as the industry standards. It is in the sum of wills (as long as it more or less represents the general will), one finds the actual agreements in regard to norms and conventions. One may act in a way that is economically beneficial, but if it happens to break social norms, the benefits will usually only be

---

<sup>149</sup> Donaldson, T., *Harvard Business Review*, 48-62

<sup>150</sup> Donaldson, T., *Business Ethics Quarterly*, 174, 178, 181



short-term, while the long-term effects of negative reputation may lead to economic risks as well as direct or indirect sanctions. To conclude, if a convention is both economically and socially justifiable, it is a good convention. If we add the ethical aspect, the justification is thus optimal.

## CONCLUSION & LIMITATIONS

Social contract theory is a political theory and philosophy that focuses on the formation, consent and legitimization of conventions – in which conventions are formed through agreements between contracting parties. Social contracts result either in conventions and norms and serve as foundations for the political body. Additionally, social contracts dictate the rules of the political game, the modes of participation, as well as the legitimization of power and authority. This authority can be defined either as a creator of conventions and norms, like in the case of Hobbes, or as a model of participation, where norms and conventions are created through an aggregation of wills as advocated by Rousseau. The two thinkers are proponents of what is known as the contractarian tradition. In contrast, we have the contractualist tradition, which Kant embraced. This tradition includes a more normative focus. The normative aspect is usually derived from moral doctrines based on hypothetical and universal consent, making it a deontological theory of consent.

From this analyses, we moved on to discuss whether such theories were applicable to corporations. Our argument was two-fold, although interrelated. By acquiring broader political roles and responsibilities through privatization of public goods, corporations are becoming a significant political actor. The other dimension is related to globalization, in that corporations escape the regulatory hand of governments, forming new forms of governance outside institutionalized official channels. If a corporation may be seen as a political actor, it was relevant to make an application of political theories to our analysis.

A crucial element in social contract theory, is a concept known as the state of nature, a hypothetical scenario where norms, conventions and power are absent. The idea behind such a hypothetical scenario is not only to discern what individual (and in our case “corporations”) nature constitutes in regard to social behavior and motivations. The concept of the state of nature helped us discern the importance, but also the detrimental effects of institutionalized power and norms. Through Hobbes’ state of nature, where authority is a crucial mean for maintaining peace, we discussed the potential of a market with an absence of norms and legitimate power. Without such entity of power, corporations would find themselves in a dystopian hostile market. This analysis provided us with an argument for the importance of regulating conventions. In contrast, we analyzed in light of Rousseau, how the idea of the total lack of social institutions would perhaps lead to a peaceful state free of inequalities. Surely, from this perspective, there would be no markets, hence no corporations either. However, the most important thing to note here relates to the fact that the more the market

grows, the more inequality arises and with it its detrimental effects. It thus becomes a responsibility for corporation to reverse the negative effects it initially caused.

Regarding the detrimental effects of markets, we also discussed Polanyi's critical views of market liberalism in light of a Kantian perspective. Through Kant's state of nature, which resembles Hobbes', we analyzed Polanyi's double-movement as a conflict that would serve as nature's mean to an end, the end being peace and prosperity. The conflict between market liberals and regulating forces, eventually paved the way for responsible and accountable businesses. The market may still more or less regulate itself, no longer only economically, but also morally, in that it has become more responsible and considerate of the common good.

We further discussed theories of participation. Participation is essential to make sure the common good is maintained. Rousseau's model was central in this context, in that a morally just and responsible policy becomes representative through participation. We therefore discussed his model of direct democracy and how it could be applied to corporate political participation. The side-effects and limitation of that model were also pointed out, covering primarily the issues related to the tyranny of the masses. This model was contrasted with Kant's, where an idea of representativeness rather than participation was determining. By representativeness, a law or a convention has to not only be representative, but also build upon a hypothetical consent of each involved parties. This theory avoids the dangers of the tyranny of the masses. However, one may still see participation as crucial.

The different criteria for good conventions were also reviewed. Inspired by the three thinkers, we presented guidelines for moral justification. In light of Hobbes, the element of economic justification was debated. Making money is necessary for a corporation in order to survive. We continued the discussion based on Rousseau's philosophy – where a focus on justification in the form of participation was essential. We discerned our second criteria: social justification, where norms are justified provided they are based on an agreement between the contracting parties. The bigger the number of participants who take part in the process, the more the norm (or "standard") is justified. However, one cannot always include all affected parties in the policy-making process. This is where moral justification comes in, as moral guidelines set limitation for what is permissible. We suggested moral guidelines, built on Kant's moral maxim, known as the categorical imperative which derives from a hypothetical universal agreement between all consenting parties.

This thesis has provided a framework that could help corporations in making sense of the sources of their social and political responsibilities related to the accountability of their operations. It is through our analysis of the state of nature that we could provide an understanding of the developments of corporations' political roles and accountabilities and the necessity for new forms of regulations outside of official channels. Additionally, this thesis provided a framework which can help corporations understand their roles in light of democratic participation in the form of lobbying and multi-stakeholder engagements. Finally the criteria presented in the last section could serve as suggested moral guidelines for corporate behavior in their cross-national business activities. Based on the premise that corporations has taken a more political and even governmental-like roles, it becomes crucial that corporations gains legitimization to cope with legitimacy gaps caused by the lack of official (democratic) mandates. It also provided a framework for later studies of political CSR and corporate citizenship.

As this thesis is primarily a theoretical one, there is an obvious absence of empirical analysis. Such analysis is therefore suggested as a potential for future research. We could for instance conduct additional case studies in which a social contractual framework is applied – where one could analyze either how a particular corporation or a whole sector create norms and standards based on the models presented in this thesis. Here, we chose to elaborate primarily on a normative dimension however we also suggest research that would descriptively analyze the actual moral guidelines behind the formation of standards, as well as discussing the driving motivations behind them to be carried out empirically in light of the moral theories presented here. Geographical and cultural factors should also be studied through this framework – for instance how differences in corporate practice across cultures and geographical locations affect the formation of norms and standards. We could also challenge the criteria for justification suggested in this thesis, in light of a cross-geographical anthropological and cultural analysis on how the variables in turn affect corporate norms and standards. Similarly, we could analyze how the different models and forms of participation outlined in this thesis, take place on a micro level, focusing on corporate policy-making within corporations. One might for instance be interested in analyzing how these models fit in with the creation of codes of conduct.

Individual case study analysis of multi-stakeholder initiatives, as well as individual partnerships between corporations, governments, civil society and NGOs, might also be studied in light of the

presented social contract theory. Similarly, one could conduct further research on corporate political activities in the form of lobbying, in light of this model. We should neither exclude the potential of civil society (as in “individual citizens), and investigate how corporations could in light of social contractual theories, facilitate participation with individual consumers and other stakeholders on a grass-root level. Similar analysis related to corporation’s roles in the creation and (re)distribution of welfare based on the presented models, if at all possible, can also be of interest.

This thesis also used some historical works primarily as a mean to exemplify the concepts of the state of nature and how it could be applied in our understanding of the developments and the mechanisms behind corporation’s social and political roles. Additional analysis based on a greater (and different) body of historical accounts can be of interest. In this thesis, we analyzed corporate participation in the formation of norms as a sign of social order. One could as easily see it as a symptom of a state of nature, due to the fact that in many instances, corporations often find themselves participating in many different forms of political playgrounds with varying values and standards.

## REFERENCES

Anastasiadis, S., "Toward a View of Citizenship and Lobbying: Corporate Engagement in the Political Process", *Business & Society*, 53(2), (2014). 260-299

Baur, D. & Arenas, D., "The Value of Unregulated Business-NGO Interaction", *Business & Society*, 53(2), (2014). 157-186

Caranti, L., "Kantian Peace and Liberal Peace: Three Concerns", *The Journal of Political Philosophy*: Volume 24, 4, (2016). 446-469

Caygill, H., "Kant and the Relegation of the Passions" in Khan, V., Saccamano, N. & Coli, D., (eds.) *Politics and the Passions, 1500-1850*, (Princeton University Press, 2006).

Cudd, A. & Eftekhari, S., "Contractarianism", *The Stanford Encyclopedia of Philosophy* (Spring 2017 Edition), Edward N. Zalta (ed.).

<https://stanford.library.sydney.edu.au/archives/sum2012/entries/contractarianism/> (Last visited 10.04.2018)

Coleman, P., "Rousseau's Quarrel with Gratitude", in Khan, V., Saccamano, N. & Coli, D., (eds.) *Politics and the Passions, 1500-1850*, (Princeton University Press, 2006).

Coli, D., "Hobbes's Revolution", in Khan, V., Saccamano, N. & Coli, D., (eds.) *Politics and the Passions, 1500-1850*, (Princeton University Press, 2006).

De Dijn, A., "Rousseau and Republicanism" *Political Theory*, 46(1), (2018). 59-80

Donaldson, T., "Contractarian Business Ethics: Current Status and Next Steps", *Business Ethics Quarterly*, co-authored with Thomas W. Dunfee, 5(2), (1995). 173-186

\_\_\_\_\_ "Ethical blowback": the missing piece in the corporate governance puzzle - the risks to a company which fails to understand and respect its social contract," *Corporate Governance* 7(4) (2007). 534-541

\_\_\_\_\_ "Values in Tension: Ethics Away from Home". *Harvard Business Review*, 74(5), (1996). 48-62

Friend, C., "Social Contract Theory", *Internet Encyclopedia of Philosophy: A peer-reviewed Academic Resource*. <https://www.iep.utm.edu/soc-cont/#SH2c> (Last visited 22/04/2018)

Garrath, W., "Thomas Hobbes: Moral and Political Philosophy", *Internet Encyclopedia of Philosophy: A peer-reviewed Academic Resource*. <https://www.iep.utm.edu/hobmoral/> (Last visited 11.05.2018)

Gilbert, D.U., Rasche, A. & Waddock, S. "Accountability in a Global Economy: The Emergence of International Accountability Standards", *Business Ethics Quarterly*, 21(1), (2011). 23-44

Hobbes, T., *Leviathan: The Matter, Forme, & Power of a Common-wealth Ecclesiastical and Civill*. (McMaster University Archive of the History of Economic Thought, 1998)

Ingham, G., *Capitalism, "The Enterprise"* (Polity Press, 2008). 119-146

Kant, I., "Idea for a Universal History from a Cosmopolitan Perspective" & "Toward Perpetual Peace: A Philosophical Sketch", Translated by David L. Colclasure, in *Toward Perpetual Peace and Other Writings on Politics, Peace, and History*, Edited by Pauline Kleingeld, (New Haven & London, Yale University Press, 2006).

\_\_\_\_\_*Grounding for the Metaphysics of Morals* (Third Edition), Translated by J.W. Ellington, (Indianapolis/Cambridge: Hackett Publishing Company Inc. 1993).

\_\_\_\_\_"On the Common Saying: That May Be Correct in Theory, But it is of No Use in Practice," Translated by Mary Gregor in *Practical Philosophy*, (Cambridge University Press 1996).

Lloyd, S.A. & Sreedhar, S., "Hobbes's Moral and Political Philosophy", *The Stanford Encyclopedia of Philosophy* Edward N. Zalta (ed.), (Summer 2018 Edition). <https://stanford.library.sydney.edu.au/archives/sum2012/entries/hobbes-moral/> (Last visited 19.04.2018)

Manning, S. & Reinecke J. "A modular governance architecture in-the-making: How transnational standard-setters govern sustainability transitions", *Research Policy* 45(3) (2016). 618-633

Mena, S. & Palazzo G., "Input and Output Legitimacy of Multi-Stakeholder Initiatives", *Business Ethics Quarterly*, 22(3) (2012). 526-556

Moon, J., Crane, A., & Matten, D., "Can Corporations be Citizens: Corporate Citizenship as a Metaphor for Business Participation in Society", *Business Ethics Quarterly* 15(3), (2005). 429-453

Moon, J., Crane, A., & Matten, D., "Corporate power and Responsibility: A Citizenship Perspective", *Responsible Organization Review*, 1, (2006). 82-92

O'Neill, J., "The Rhetoric of Deliberation: Some Problems in Kantian Theories of Deliberative Democracy" *Res Publica*, 8(3), (2002). 249-268

Polanyi, K., *The Great Transformation: The Political and Economic Origins of Our Time*, (Boston, Beacon Press, 2001).

Rasche, A., Morsing, M. & Moon, J. "The Changing Role of Business in Global Society: CSR and Beyond", in: Rasche, A., Morsing, M. & Moon, J. (eds.) *Corporate Social Responsibility – Strategy, Communication, Governance*. (Cambridge University Press, 2017).

Rasche, A., "The corporation as a political actor – European and North American perspectives", *European Management Journal*, 33(1), (2015). 4-8

Rauscher, F., "Kant's Social and Political Philosophy", *The Stanford Encyclopedia of Philosophy*, Edward N. Zalta (ed.) (Spring 2017 Edition). <https://plato.stanford.edu/cgi-bin/encyclopedia/archinfo.cgi?entry=kant-social-political> (Last visited 15/04/2018)

Roberts, N., "Public Deliberation in an Age of Direct Citizen Participation", *The American Review of Public Administration*, 34(4), (2004). 315-353

Rousseau, J.J., "Discourse on the Origin and Foundations of Inequality among Men", Translated by Donald A. Cress, in *Classics of Moral and Political Theory* (4th Edition), Edited by Michael L. Morgan, (Indianapolis, Hackett Publishing Company Inc., 2005).

\_\_\_\_\_ "On the Social Contract", *The Social Contract and The First and Second Discourses*, Reworked version of Henry J. Tozer's Translation by Susan Dunn, (Yale University Press 2002).

Scherer, A.G., Baumann-Pauly, D. & Schneider, A., "Democratizing Corporate Governance: Compensating for the Democratic Deficit of Corporate Political Activity and Corporate Citizenship", *Business & Society*, 53(2) (2014). 471-514

Scherer, A.G. & Palazzo, G. "The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy", *Journal of Management Studies* 48(4), (2011). 899-931



Scherer, A.G., Rasche, A., Palazzo, G. & Spicer, A. "Managing for Political Corporate Social Responsibility: New Challenges and Directions for PCSR 2.0". *Journal of Management Studies*, 53(3), (2016). 273-298

Scott, T. J., "The Theodicy of the *Second Discourse*: The "Pure State of Nature" and Rousseau's Political Thought, *American Political Science Review*, 86(3) (1992). 696-711

Shatar, A.N., "On the Hypothetical State of Nature of Hobbes and Kant; Same Premises, Different Conclusions", *European Scientific Journal*, 12(23), (2016). 209-219

Tännsjö, T., "Egoism and Contractualism", *Understanding Ethics: An Introduction to Moral Theory* (Second Edition), (Edinburgh University Press, 2008).