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Global Companies and Global Society

The Evolving Social Contract

Ann Florini

Introduction

The for-profit sector has always found it necessary to operate under some type of contract with society, whether implicit or explicit, and that social contract is always contested and under negotiation. Companies often have negative as well as positive impacts on the societies in which they are embedded, such as pollution, extraction of rents, or treatment of labor, and societies differ across space and time in their tolerance for those negative externalities. Moreover, business rarely thrives in a society that lacks certain public goods, such as a financial system to make cash and credit available, a legal system to ensure contracts are honored, and usually some sort of regulatory system. The costs for the provision of those public goods are borne at least in part by people who are not directly sharing the profits, and their willingness to bear those costs depends in part on their acceptance of the legitimacy of the private sector. As John Braithwaite and Peter Drahos (2000) show in their magisterial survey of the history of business regulation through the ages, much of the story of economic history is a story of the ever-changing nature of the social contract for business.

The social contract is complex enough when the "social" side is well-defined and circumscribed, as in a national polity that has a government that can at least in principle represent the interests of society and serve as a societal check on the power of business (even if government does not always actually do so). But the era of global economic integration has raised questions about whether national governments, either acting individually or attempting to cooperate with other governments, retain that capacity (Alexandroff 2008; Avant, Finnemore, and Sell 2010; Held and McGrew 2002; Jones, Pascual, and Stedman 2009; Ruggie 1993; Slaughter 2004). Such doubts have fostered efforts by a wide range of other social actors to find ways to regulate and shape the roles of business, and their efforts are increasingly facilitated by the information and communications revolution. Although clearly the global sphere does not have the relatively well defined society that exists at the national level, where at least most residents usually share the common definition of "citizen," it is reasonable to argue that there has been some degree of development of what might be called "global society" (Scholte 2005). This article explores the relationship between global companies and the nascent global society through the lens of the evolving social contract for global business.

When the current incarnation of economic globalization got underway in the 1960s and 1970s, it largely consisted of American corporations going overseas. Thus, the social contract under which US business then operated was the mental model available for those increasingly global companies. Within the United States, the traditional division of labor among the three sectors – private (business), public (government), and civil society – was assumed to be clear-cut. Business, usually in the form of corporations, would seek profits, and in so doing would provide wealth, jobs, goods, and services to society. Governments would regulate those corporations and would provide the public goods needed for society and business to flourish, including such public goods as contract enforcement, rules of the road, and property rights. Civil society groups would agitate for change in government regulations and attempt to broaden the definition of public goods that should be provided. Certainly there were disputes about the extent of corporate social responsibility, as we will see below, but in general these assumptions about the appropriate roles for the three sectors prevailed.

Globalization, privatization, and changing ideas about the roles of business and government have blurred these distinctions. In this new world, corporations increasingly deliver essential services and meet basic public needs in their areas of operation (and sometimes beyond), exert heavy influence over public policy, and find that their consumers and investors hold them directly accountable for their effects on the environment and on human rights. Intergovernmental organizations and transnational civil society networks demand to partner with global companies in pursuit of various definitions of the public interest. The notion of the social contract for business has always been contested, but now more hotly than ever. What now are the terms of the implicit "social contract" between business operating at a global scale, and society?

Before we turn to that question, some definitional caveats are needed. First, "global business" is not a well-defined concept. It includes both Western and the smaller but rapidly growing category of transnational non-Western-based firms, particularly those based in Asia. Within each category, further subdivision is needed according to the nature of the transnational ties of a given firm, whether those ties primarily involve sales and trade, supply chains, or major operations abroad (particularly for extractive industries). Different elements of the social contract may be more or less relevant for different types of global companies.

"Global society" has even less coherence as a concept. At the global level, there are two "societies" to consider. One is the society of states, which we will consider in its most organized form, the intergovernmental organization (IGO). The other is global civil society. Clearly, there is no single demarcated set of nongovernmental social ties that cross borders in ways that influence corporate licenses to operate. But a reasonably close approximation, for the purposes of this chapter, can be found in the NGO sector, via both formally constituted international NGOs (INGOs) and networks that bring together national and local civil society groups across borders in less formal ways. Global firms must interact with both IGOs and INGOs.

This chapter will begin by laying out the US roots of the always-contested nature of the social contract for business and how some older ideas about that social contract no longer make sense under conditions of globalization. It then assesses how and why the social contract has evolved through the interaction of global business and global society, with the latter conceptualized in two ways: transnational civil society networks as an example of social forces, and IGOs as proxy for the society of states. It concludes by exploring emerging questions that affect the social license to operate, such as the growing contestation over varieties of capitalism, the natural resource/environmental crisis, and new forms of social organization.

The American Models

Two publications from the same time in the United States point to the contested nature of the social contract for business. The first is a *New York Times Magazine* article by Milton Friedman (1970) that admirably summarized his views that the business of business is business – in other words, that the social contract requires of business only that it seek profits within the boundaries of the law. Friedman contended that the sole obligation of corporate managers is to do what shareholders want, which is assumed to be profit maximization.[1] Friedman also argued that the "best interests" of corporations, and therefore corporate shareholders, is the sole legitimate criterion for all managerial decision-making (beyond legal compliance). Friedman did allow a bit of wiggle room for "hypocritical window dressing" that may serve to attract employees and reduce sabotage, which implied that some thinking about the social contract might be useful, and customers and employees received passing mention as deserving some managerial responsibility – but since they are not owners, it is not clear on what basis Friedman extended that responsibility to them.

Friedman's argument included one key claim and one key omission. The claim was a strong assertion that government will take care of externalities, collective action problems, and public goods provision by taxing, spending, and regulating as needed to serve the public interest. The omission was to ignore corporate incentives and possibly disproportionate capacity to influence public policy, not least to free themselves from regulations and to win the legal right to externalize costs onto the rest of society. As we will see below, the claim, always questionable in a world of imperfect government, became far more problematic with globalization. And the omission became too glaring to ignore when massive multinational corporations engaged directly with emerging or less-developed countries.

With the temporary triumph of the neoliberal revolution in the 1980s and 1990s, such views began to be seen elsewhere in the world as representing an American consensus. But it is important to remember that in the 1970s Friedman was writing in response to a chorus of calls, including several by business leaders, for greater social responsibility on the part of American corporations. At the same time that Friedman's article appeared, a distinguished group of American business and academic leaders was coming to a very different conclusion about the nature of the social contract for business.

The Committee for Economic Development (CED), an American think-tank founded in 1942 whose 200 trustees are business and academic leaders, had been searching for a pragmatic middle ground between voices such as Friedman's at one extreme and calls for business to solve all of America's problems on the other. In 1971, after an intensive process engaging a wide range of those trustees, the CED issued its report on "Social Responsibilities of Business Corporations" (Committee for Economic Development 1971). This report is worth citing at length, as it took a much broader view of the social contract in ways that strikingly foreshadow current debates:

> Business functions by public consent, and its basic purpose is to serve constructively the needs of society – to the satisfaction of society. Historically, business has discharged this obligation mainly by supplying the needs and wants of people for goods and services, by providing jobs and purchasing power, and by producing most of the wealth of the nation . . . (Committee for Economic Development 1971: 11)
>
> [However,] the sluggishness of social progress is engendering rising criticism of *all* major institutions – government, schools, organized labor, the military, the church, as well as business. In this context, the large business corporation is undergoing the most searching public scrutiny since the 1930s about its role in American society . . . (p. 14, emphasis in original)
>
> Today it is clear that the terms of the contract between society and business are, in fact, changing in substantial and important ways. Business is being asked to assume broader responsibilities to society than ever before, and to serve a wider range of human values. Business enterprises, in effect, are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. Inasmuch as business exists to serve society, its future will depend on the quality of management's response to the changing expectations of the public . . . (p. 16)
>
> *The great growth of corporations in size, market power, and impact on society has naturally brought with it a commensurate growth in responsibilities; in a democratic society, power sooner or later begets equivalent accountability.* (p. 21, emphasis in original)

As the report went into details, it cited approvingly a wide range of ways in which corporations could pursue "enlightened self-interest" via engagement in a broader range of activities than a pure profit focus would entail, from philanthropy to capacity building for government to internalization of environmental externalities. At one point, it foreshadowed what has since come to be known as "social enterprise":

> business must recognize that the pursuit of profit and the pursuit of social objectives can usually be made complementary. From the standpoint of business, profit can be earned by serving public needs for social improvements as well as for goods consumed privately . . . There are likely to be many areas of social improvement in which the prospects for profit do not meet prevailing corporate investment criteria. In such cases, corporations will need to reexamine the traditional concepts and measurements of profit in the newer context. This may well involve, among other things, a substantial diversion of resources away from private consumption into higher priority social improvements. (Committee for Economic Development 1971: 31–32)

As the consensus document makes clear, even within the United States views within the business and academic communities about the nature of the social contract for business have long been far more varied and nuanced than the simplistic slogan "the business of business is business" would suggest. This greater sophistication of views can also be found in US government policy and its role in protecting citizens from the untrammeled functioning of market forces. In that regard, another important precursor of current debates can be found in the academic literature of the early 1980s. In an article well known to all graduate students of international relations, John Ruggie (1983) introduced the notion of "embedded liberalism." Ruggie suggested that the post-World War II American-led liberal economic order differed fundamentally from its British predecessor. British liberalism was based on a widely shared norm that the purpose of state monetary policy should only be to maintain external stability via gold parity. In the 1920s and 1930s, that norm was breaking down, with the result that the design of the post-war economic order reflected a fundamentally different view of the appropriate role of state economic policy. The Bretton Woods, American-led version of the liberal order extended legitimacy to the notion of state economic intervention in pursuit of purely domestic goals such as full employment and domestic social stability (pp. 208, 215). This significant norm shift embodied the notion that citizens should not be vulnerable to international economic forces beyond their control and that governments should and could intervene to protect them. As we will see below, such thinking about the appropriate relationship between markets and societies has transferred into debates about global markets and global societies, featuring particularly in the United Nations' efforts to promote an improved global social contract for business.

The Globalization of Business and Society

The story of the globalization of business and the rise of global companies is well described elsewhere in this Handbook. A quick review of the statistics shows a rapid rise in the sheer numbers of transnational corporations with foreign affiliates. From some 35,000 parent transnational corporations with about 170,000 foreign affiliates at the beginning of the 1990s, the number jumped to 103,786 parents with 892,114 affiliates as of 2010 (UNCTAD 1992: 5; 2011). As global companies burgeoned and took on more direct roles in international governance, scholars began exploring in depth the emergence of what was termed "private authority" in the international system (Cutler, Haufler, and Porter 1999; Hall and Biersteker 2002; Buthe 2010). This literature generally addresses issues of business self-regulation.

It is less well known that the same trends of ever-cheaper transportation and communications technologies, along with the great opening up of the former Soviet bloc, China, and India, that have propeled the globalization of business have had similar if harder to measure impacts on global social ties. The impact of both formally constituted international NGOs (INGOs) and less formal transnational networks of civil society actors on international affairs became so pronounced that the 1990s saw the rise of a cottage industry of scholarly publications documenting such impacts in fields ranging from arms control to corruption to environmental protection (Keck and Sikkink 1998; Boli and Thomas 1999; Edwards and Gaventa 2001; Florini 2000; Gordenker and Weiss 1996; Kaldor 2003; Khagram, Riker, and Sikkink 2002; O'Brien *et al.* 2000; Risse-Kappen 1995; Smith, Chatfield, and Pagnucco 1997; Weiss and Gordenker 1996). For the most part, this literature focuses on interactions between transnational civil society networks and governments, IGOs, or international regimes, rather than global companies. A few significant international relations works have looked explicitly at the roles of global companies in setting international rules (Sell 2003; Strange 1996). The management and international business literature has also included significant attention to the interaction between businesses and NGOs, including some at the global level. A comprehensive survey of this literature argues that it can be divided among six principle themes: NGO activism; NGO–business partnerships; multi-sectoral partnerships; global governance and standardization; national-level governance; and company stakeholder management (Kourula and Laasonen 2010). Although many of these works from all of these disciplines address questions of governance, power, authority, and legitimacy, surprisingly few have explicitly addressed the question of the existing and evolving social contract under which global companies may operate.

The Evolution of the Global Social Contract

As a result of global economic and social integration, more and more of the business–society interaction has played out at a transnational rather than purely national level, involving transnational corporations, transnational civil society networks and organizations, and intergovernmental organizations. There is no simple way to categorize these interactions. As MacIntosh and Thomas (2002) point out, the NGOs that interact with business vary in their fundamental characteristics: their scope (from the very local to the global), the nature of the organization (from community group to business association to professional body), their structure, their focus (which can be virtually any topic, from service delivery to human rights to environmental protection), their activities, and their choices about how to engage with corporations and with IGOs. Thus, business-NGO interactions, unsurprisingly, can vary enormously.

The most visible of the interactions between global companies and global society have occurred in the form of NGO campaigns against individual businesses and against whole corporate sectors. Such campaigns are certainly not new – they date back at least to the late 1700s, when opponents of slavery in such organizations as the US-based Pennsylvania Society for Promoting the Abolition of Slavery and the British Society for Effecting the Abolition of the Slave Trade joined forces across the ocean, exchanging information and sharing tactics aimed at mobilizing popular pressure for antislavery legislation (Florini 2000). Starting in the 1970s and accelerating in ensuing decades, however, has been a trend toward much more transnational mobilization in such campaigns. As Spar and La Mure (2003) note, this is not surprising given the shift in power from states to corporations:

> In the earliest days of NGO activity, protestors targeted the obvious source of power: if they wanted to end slavery or child labor, for example, they pressured the governments that presided over, or at least permitted, such practices . . . However, as corporations have gained prominence in the global economy, they have become more and more the direct target of activism – of boycotts, consumer protest, and shareholder rebellion . . . These strategies make eminent sense. In places like Burma, Indonesia, and Sierra Leone, corporations such as The Gap or DeBeers can wield a disproportionate amount of economic influence, an influence made even larger in recent years by the

> relative decline of both foreign aid and official lending. If economic influence can be translated into political pull, then the best way to change a country's laws or practice may well be through the corporations that invest there. (pp. 80, 81)

Such campaigns can have significant impact. Among the best known is the campaign that arose in protest of implementation of the Trade-Related Intellectual Property Rights (TRIPS) regime in the late 1990s. The TRIPS accord, negotiated at the behest of, and largely incorporating the terms preferred by, a number of large multinational corporations, particularly pharmaceuticals, stirred a firestorm of controversy when its stringent protections of intellectual property rights came into conflict with the needs of many countries for less expensive versions of patent-protected medicines to address such compelling medical emergencies as HIV/AIDS (Sell 2003). In what may be one of the most glaring public relations blunders of modern times, dozens of international drug companies filed suit in 1997 to prevent South African president Nelson Mandela from enforcing a law that would sidestep TRIPS protections for HIV/AIDS medicines. Suing Nelson Mandela in pursuit of greater profits and at the expense of dying poor people did not go over well in the court of global public opinion. After a global campaign involving Médecins Sans Frontières, Oxfam International, and many others, the global pharmaceutical corporations reversed course, dropping the lawsuit and joining a number of efforts to make medicines affordable in developing countries (Florini 2005).

Yet as Spar and La Mure (2003) demonstrate, in most cases the measurable financial threat from NGO activism is not at all clear to firms, yet nonetheless under some conditions the campaigns have considerable impact in changing the behavior of global business, while in others the campaigns seem not to matter much. When Nike, for example, faced activist and media pressures related to working conditions in the overseas factories that supplied it in the 1990s, it initially resisted calls for action, insisting it had no responsibility for those conditions. By 1998, however, the firm capitulated, and over the next few years became an active leader of efforts to improve working conditions in the apparel industry around the world. Swiss pharmaceutical giant Novartis, although it was not a producer of AIDS treatments and had not been targeted in the TRIPS campaign described above or in other significant NGO campaigns, nonetheless began a dialogue with NGOs and established a corporate social responsibility program, and launched a number of philanthropic ventures related to health in developing countries. The oil firm Unocal, in contrast, fended off years of intensive criticisms of its involvement in the Udana natural gas field in Burma, a country that only recently has begun to emerge from a status as an international pariah for its brutal record on human rights.

Spar and La Mure (2003) suggest that firms consider three variables in deciding how to respond when they are targeted: transaction costs, brand input, and competitive position (p. 84). Unocal faced high transactions costs for withdrawing from Burma, whereas Nike could relatively easily switch to other suppliers. Branding concerns did not apply to Unocal, which had divested its retail gas stations, whereas Nike was entirely dependent on retail consumer willingness to buy its products. Firms may seek to improve their competitive position in their industry by moving early to align themselves with NGO demands, as Novartis sought to differentiate itself from the rest of the pharmaceutical industry, then under widespread attack. But as Spar and

La Mure concede, not all can be explained by such commercial calculations. Even among large publicly traded corporations, there is a role for the personal convictions of top managers, who may choose to "do good" for its own sake.

Zadek (2006; 2010) describes corporations as moving through several stages of organizational learning as they find themselves pushed by global society to take on new forms of corporate responsibility thinking. Global companies often begin with a defensive response contesting the notion of any such responsibility or any implied wrongdoing. They then move to a "compliance" stage of going along with certain demands, such as signing up to codes of conduct. As corporations internalize new ways of thinking, management practices change, and ultimately "social responsibility" steps may become part of corporate strategy. For a few, but only a few, such social responsibility goals may become the primary purpose of the corporation.

On the other side of the corporate–NGO relationship, there has been a strong and growing trend among NGOs to look for ways to partner with corporations – sometimes at the same time as campaigning against them. Most strikingly, Greenpeace, better known for its spectacular stunts than for broad dialogue, took to joining meetings with corporate and governmental leaders on such key environmental issues as climate change. A 2012 *New York Times* account began as follows:

> The bearded South African in the red dashiki took a seat in the front row amid a sea of dark-suited executives at a side meeting of the United National climate change conference [in Durban, South Africa] in December [2011]. "Kumi, it's good to see you here," Bjorn Stigson, president of the World Business Council for Sustainable Development, told Kumi Naido, executive director of Greenpeace International. "I'd much rather have you inside the room here than outside protesting." At that moment, a group of Greenpeace activists under Mr. Naidoo's direction were outside the hotel picketing the business gathering. Seven were arrested and charged with trespassing; three were fined and deported. (Broder 2012)

On the part of both global companies and global society, there has been a demonstrable, if far from universal and often hotly contested, evolution toward a willingness to partner in the pursuit of social goals. Austin (2000) provides a helpful categorization of how such partnerships may evolve, as viewed in relatively conventional business terms. Often relationships between companies and NGOs begin as simple philanthropy, generally characterized by low engagement on the part of the firm, with the philanthropy not central to the business mission, few resources invested, infrequent interaction between the business executives and the social groups, all of which adds up to a low-cost and low-benefit relationship for the firm. As the relationship develops, it may become more transactional, with the firm gaining more benefits, possibly in the form of publicity and community goodwill. Finally, a meaningful and longer-lasting integrative partnership could bring about joint value creation. However, as Austin noted in 2000, the "marketplace" for such alliances was then poorly developed, with a serious shortage of information about potential partners and few mechanisms for finding them.

Although the marketplace remains underdeveloped, significant progress has occurred since Austin wrote. One milestone was the World Summit on Sustainable Development, held in Johannesburg, South Africa, in 2002, which became known as the "Partnership Summit" for the large number of partnerships agreed among companies, governments, and NGOs (Cowe 2004). Such undertakings as the Extractive Industries Transparency Initiative got their start at Johannesburg, and many global companies and NGOs took their first steps toward new collaborations.

Global Companies and the Society of States: The Evolving Relationship with IGOs

The relationship between market forces more broadly and companies specifically and intergovernmental organizations dates back at least a century, to the founding of the International Labor Organization (ILO). The ILO's tripartite membership, unique among international organizations, brought together employers, governments, and labor unions as equal partners in setting labor standards – the West's attempt after Russia's Bolshevik revolution to ensure the future of capitalism. Thereafter, however, little happened on the IGO front for many decades.[2] In the 1970s, a series of scandals involving American multinational corporations operating in developing countries, such as ITT's interference in Chile's domestic elections (United States Senate 1975), triggered pushback from those developing countries via the intergovernmental organizations in which they had recently acquired majority voting power. Most significantly, the United Nations set up a Centre on Transnational Corporations and began negotiations aimed at developing standards to require corporations to respect national sovereignty and to disclose information about their operations (Haufler 2001: 16).

With the Reagan–Thatcher "neoliberal revolution" of the 1980s, however, the impetus for regulating transnational business via IGOs faltered. Driven partly by technology and partly by normative shifts, developing countries began to welcome the foreign investment and skills of global companies (Martin 1999; Yergin and Stanislaw 1998). Yet the "anti-globalization" protests of the 1990s sparked renewed concerns about the social contract within which global companies were operating (Florini 2003).

In response to such concerns, the United Nations returned to Ruggie's idea of "embedded liberalism" to consider how economic liberalism could be re-embedded in the increasingly integrated global economy.[3] In 1999, UN Secretary General Kofi Annan gave a speech to the World Economic Forum (WEF) annual meeting in Davos, Switzerland, an ideal site for reaching corporate leaders as the WEF's membership includes the world's thousand largest corporations. In it, he pleaded for what he called a global compact, essentially a new social contract "of shared values and principles, which will give a human face to the global market":

> Globalization is a fact of life. But I believe we have underestimated its fragility. The problem is this. The spread of markets outpaces the abilities of societies and their political systems to adjust to them, let alone to guide the course they take. History teaches us that such an imbalance between the economic, social and political worlds can never be sustained for very long . . .
>
> Let us remember that the global markets and the multilateral trading system we have today did not come about by accident. They are the result of enlightened policy choices made by governments since 1945. If we want to maintain them in the new century,

> all of us – governments, corporations, nongovernmental organizations, international organizations – have to make the right choices now.
>
> We have to choose between a global market driven by calculations of short-term profit, and one which has a human face. Between a world which condemns a quarter of the human race to starvation and squalor, and one which offers everyone at least a chance of prosperity, in a healthy environment. Between a selfish free-for-all in which we ignore the fate of the losers, and a future in which the strong and the successful accept their responsibilities, showing global vision and leadership. I am sure you will make the right choice.

The outcome of that stirring call to arms was strikingly different from the UN's previous venture into restructuring the social contract for business via the Center for Transnational Corporations. This time, the UN set up an entirely voluntary "Global Compact," a code of conduct with a difference. The Global Compact does not set specific standards for member companies to attain. Instead, it lays out ten principles in the arenas of human rights, labor standards, environmental protection, and anti-corruption, based on international agreements widely adopted by the world's governments. Member companies are required to report annually on their efforts to align their practices with those principles. The reporting requirement and discussions among the member companies and other Global Compact adherents (civil society groups and UN agencies) are intended to help the member companies learn how to make progress toward what is essentially global social contract.

In short, the Global Compact aims to re-embed liberal market functions on a voluntary basis in a social contract based on principles legitimized by governments for other purposes. It demonstrates clearly the shift in UN attitudes regarding global companies to one that seeks engagement (Therien and Pouliot 2006). Its efficacy in changing business practices is hotly disputed. Although it regularly expels member companies that fail to comply with its reporting requirements or for failing to report substantive progress toward the goals (it expelled its 3000th member company in February 2012), thus ensuring that the Compact is not merely a fig leaf, it is not designed to verify the companies' self-reported accomplishments. That leaves civil society activists skeptical about whether the terms of this new social contract are in fact being honored (Marx 2012).

Although it is the most ambitious attempt to date to design a social compact appropriate for the global era, the Global Compact is only one of many interactions between global companies and IGOs. As Bull, Boas, and McNeill (2004) show, the Global Compact is just one of multiple forms of cooperation underway between IGOs, particularly the United Nations, and global companies. These include policy dialogue (such as corporate participation in the UNAIDS governing board), advocacy partnerships (such as the NetAid initiative that brought together the UN Development Program and Cisco), information and learning partnerships (such as the Global Compact), and direct engagement in operations (such as the Refugee Registration Project of the UN High Commissioner for Refugees and Microsoft).[4]

This growing engagement results from multiple factors. One is clearly simple need for resources – cash-strapped IGOs have gone in search of funds and in-kind contributions. But the growing degree of partnership between global companies and IGOs could not have happened with the UN of the 1970s. Clearly, there has been an ideological shift within the UN's membership, from neo-Marxist to neoliberal, that has included a willingness to engage with global companies in lieu of trying to regulate them. Here, a crucial factor has been the practical and intellectual leadership of particular individuals, notably former Secretary General Kofi Annan, senior officials such as Mark Malloch Brown, John Ruggie, and UN Global Compact head Georg Kell, along with leaders in other IGOs such as Gro Harlem Brundtland at the World Health Organization. On the part of global companies, issue specific factors have impelled greater interest in collaborating with IGOs, such as the growing prevalence of HIV/AIDS among labor forces (Bull, Boas, and McNeill 2004).

Assessments of the implications of greater private-sector involvement with UN organization have been mixed. On the positive side, as Bull, Boas, and McNeill (2004) suggest, the partnerships bring greater flexibility and relevance to IGOs, in addition to resources. But these are instrumental considerations. Critics raise concerns about the explosion of public-private "funds," particularly in the health arena, that may challenge efforts to create more coherent programs. The Global Alliance for Vaccines and Immunization (GAVI), for example, has been criticized for focusing on vaccinating children – a particular concern of funder Bill Gates – at the expense of building robust and sustainable health systems with trained personnel able to respond to local priorities. Corporate involvement may also distort policy priorities, with the particular engagement of large pharmaceutical corporations following the TRIPS debacle a possible explanation of why there have been so many fragmented health initiatives. Partnerships between IGOs and global companies may also shift the balance of power among UN agencies in favor of those agencies whose mandates or operations happen to be of greatest corporate interest.

Many in transnational civil society remain suspicious of the relationship between global business and IGOs (and their most influential member states), seeing these relationships as means by which business shapes global rules to its own benefit in what is in effect privatization of the multilateral system. In 2006, for example, ActionAid, an international non-governmental federation of development organizations, released a report arguing that "[b]ig business's privileged access to policy-makers is contributing to global trade rules that undermine the fight against poverty" (p. 4). ActionAid (2006: 10) contended that in addition to common indirect means of influence on policy-makers such as financial contributions, media coverage, and wining and dining of policy-makers, global companies also have disproportionate influence on trade policy via such direct means as:

- face to face meetings with policy-makers;
- serving on government advisory committees;
- making presentations to policy-makers;
- sending letters, memos and emails to policy-makers;
- making formal submissions to government consultations;
- even serving on government delegations.

ActionAid argued that the outcome of such disproportionate corporate influence can be seen in such global trade rules as TRIPS and the Global Agreement on Trade in Services, which it contends have benefitted global companies at the expense of the global public interest.

Bull, Boas, and McNeill (2004), however, note that influence may be a two-way street. Although advocates for corporate–IGO partnerships usually focus on instrumental questions of efficiency and effective operations, and critics are concerned with the impact on the power, authority, and legitimacy of IGOs, Bull, Boas, and McNeill have a constructivist take, pointing out the potential positive impact, with IGOs becoming "an arena for encounters between different forces in which multilateral institutions become nodal points in complex *networks of governance*, rather than a system constituted mainly by state actors" (p. 493). The question of who influences whom with regard to ideas and framing is an empirical one that should be investigated, not asserted: "Authority and legitimacy are not fixed but flexible – subject to changing, malleable interpretations over time" (p. 494).

Conclusion

The current state of the global social contract is rather messy. The former neat distinction of the three sectors and their respective roles clearly no longer holds, and the notion of a social contract that allows business to seek profits by any legal means is not tenable, particularly given the degree to which business is now setting the rules that determine what is legal. But where does this leave us?

John Ruggie, who as both scholar and practitioner has played as large a role as anyone in both analyzing and shaping the evolving social contract for global companies, describes that evolution as follows. Ruggie's assessment begins with what he calls the accountability chapter, with attention to the accountability of global firms to the wide range of stakeholders affected by corporate decisions and actions. This chapter in the evolution of the global social contract includes the whole array of codes, reporting initiatives, certification schemes, and other proliferating experiments in transparency and accountability, driven primarily by NGOs, although with slowly increasing involvement from investors and governments – an important story, but one that may have run its course in terms of impelling change. Chapter two, in Ruggie's view, is social capacity-building, where he locates the Global Compact that he helped to establish, and which includes many of the operational partnerships described above. Chapter three, where little progress has yet been made, concerns the imbalance in the system of global rule-making, which "has increasingly privileged private capital over other social actors, and the spread of global markets over other social concerns – be they human rights, labor standards, or environmental principles" (Ruggie *et al.* 2004: 14). Such an imbalance is not socially sustainable, and managing these tensions would require finding ways to "marry world civic politics with global private governance" (p. 14).

Ruggie may be correct that Chapter one-type initiatives are unlikely to cumulate into adequate means of addressing the imbalances between global companies and global society, but they are also unlikely to fade away. Codes of conduct, disclosure standards, new business models, and investment standards are still largely experimental and it is probably too early to dismiss them altogether. Yet it is certainly true that they are piecemeal and uncoordinated efforts at best. Social capacity-building is certainly needed, but it is not clear what that capacity will then be able to accomplish in the absence of a more coherent and cohesive global governance system within which the social contract would apply. And it is certainly the case that a system of global rule-making that excessively privileges capital at the expense of societies is not one likely to satisfy society's concerns in the social contract.

Many questions remain to be addressed. One key question is: who will set the terms of a new global social contract? As we have seen, multiple dialogues are underway, both in the form of conversation and via the practice of partnerships, but little research has yet been done on the implications of those dialogues. Despite Bull, Boas, and McNeill's intriguing suggestion of the power of IGOs to influence global companies in the global public interest, little is yet known about which direction influence actually flows. Moreover, with the emergence of global companies from countries not previously strongly represented in these debates, such as China and India, the question of "who" will necessarily involve whole societies whose attitudes toward such questions have yet to be rigorously investigated.

A second question is: what will drive the terms of the new social contract? The global agenda of the next few decades is likely to be shaped by two very powerful trends. The first is what might be called the age of scarcity: the increasingly tight constraints on available water, arable land, climate "space," and other natural resources that previously were relatively available to global firms. On such key issues as climate, biodiversity loss, the imbalances in the nitrogen cycle, and other severely threatening global environmental threats, the utter failure of intergovernmental cooperation to rise to the scale of the challenges is likely to spur social demands on global companies to act – demands that current business models are ill designed to meet. The second is inequality, given the socially stressful trends toward concentration of wealth and income in most countries in an ever smaller elite, trends from which leaders of global companies have benefited. A stable social contract for business may entail quite significant changes in how rewards are allocated.

All this leaves us with a rich research agenda. In the growing array of partnerships, who is actually influencing whom? Can these partnerships move beyond service delivery to entail much deeper collaboration around the thorny issues on the global agenda? Will varieties of capitalism engage in the debate over the social contract in different ways, with shareholder-driven public companies responding differently from privately held global companies, not to mention the impact of globally active state-owned enterprises?

Even more important than these analytical puzzles is the basic normative question. What is the right model for a social contract for global companies and global business in the twenty-first century? While answers to that question will undoubtedly vary widely, the process of having the conversation is crucial. We must find ways to foster reasoned debate over a wide spectrum of actors. Without processes that can lead to the development of such a social contract, global companies are unlikely to enjoy the long-term stability that only such legitimacy can bring.

Notes

1 Among the many implicit assumptions of this argument is that most shareholders hold equities for a sufficiently long time that their interests are reasonably aligned with the longer-term interests of other stakeholders. In other words, Friedman does not consider the existence of shareholders who would be satisfied with company plans that would create very short-term spikes in share prices but would drive

the firm out of business shortly thereafter. In the era of hyperspeed traders, an era in which the average holding of SU equities is well under one year, short-term shareholders and long-term shareholders have very different interests, even defined solely in narrow profit terms. See Martin (2011).

2 The post-World War II Bretton Woods institutions were supposed to have a third partner, an International Trade Organization that among other things would have protected cross-border business investments and controlled restrictive business practices – but the US Congress refused to ratify the treaty creating the ITO (Jenkins 2001: 1–2).

3 Ruggie at the time was serving as Assistant Secretary General, on leave from Columbia University.

4 Bull, Boas, and McNeill include mobilization of private funds in support of multilateral programs, such as Ted Turner's $1 billion gift to create the UN Foundation in support of UN-related goals, or the Gates Foundation $750 million contribution to GAVI. However, these are gifts from individuals or foundations, not companies per se, and thus are not included in my analysis of the relationship between global companies and IGOs.

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