Corporations as governments

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Parliament is no longer sovereign in its decisions. It depends on powerful pressure groups – the banks and multinationals - which are not subject to any democratic control. … Democracy has become a pawn to the dictates of globally volatile capital. So can we really be surprised when more and more citizens turn away from such blatant scams …and decline to vote?
Günter Grass
(Essay on VE Day in The Guardian, 7 May 2005)

Abstract

This paper looks at recent shifts in societal governance by focusing particularly on the role of private corporations in taking over or being assigned roles hitherto associated with governments. As we argue, many of the activities of corporations in response to new ethical imperatives result in activities – often labelled as corporate social responsibility – which in fact put corporations in a role rather similar to governments. We provide a descriptive framework and discuss the potential, limits and problematic implications of these shifts. The paper uses the conceptual lens of 'citizenship' as an established concept in political science to delineate roles and responsibilities for governments and citizens.

1. Introduction

In this paper, we take up one of the most hotly debated topics in many societies around the globe, namely the role of corporations in the governance of citizenship. The suggestion that governments have ceded authority and that now 'corporations rule the world', as the title of a popular book suggests (Korten, 2001: 354), is by now fairly commonplace. However, it is important to question the veracity of this claim and, indeed, to explore its implications for citizens and for citizenship more generally.

The idea that corporations have taken over from governments is fuelled by a number of phenomena and at different levels. Recent invigoration of the debate, for instance, came from questions about the role of private security organizations in fuelling the abuse of prisoners in Iraq. In Europe, in a similar vein, corporations are increasingly perceived as being more powerful than national governments in tackling the most salient social issues for their citizens, most notably persistently high levels of structural unemployment (Grahl & Teague, 1997). For instance, in the context of the 2005 French referendum on the new European Constitution, many critics of the

* This paper is a result of our ongoing research following our initial publication of some of these ideas (Matten & Crane, 2005) and includes some of the critical responses this paper has raised (Crane & Matten, 2005, 2008a; Jones & Haigh, 2007; Steinmann, 2007; Thompson, 2006; van Oosterhout, 2005). It is a shorter version of Chapter 3 in our just published book length treatment of this issue (Crane, Matten, & Moon, 2008b).

constitution were concerned that it provided too much power to corporations through further liberalisation of markets for labour, goods and services. Similarly, in many developing countries, multinationals are often considered to be more powerful than governments in upholding (or infringing) human rights, protecting (or harming) the environment, or accelerating (or impeding) economic, social, and political development. Corporations, it would seem, are governing citizenship where once we would have expected this to be the preserve only of governmental actors.

On the following pages, we will take a closer look at this alleged takeover of governmental roles and responsibilities by corporations. When exploring the potential of the citizenship metaphor for corporations we have argued elsewhere (Moon, Crane, & Matten, 2005) that under certain well-defined conditions, corporations could indeed act as citizens. However, while admitting corporations into the sphere of societal governance we also raised some evaluative issues, one of which particularly addressed the problem of power differentials between corporations and other citizens. It is one thing if citizen groups take part in the provision of certain social services, for instance, by setting up a bus service for disabled or otherwise needy people. It is however, a completely different thing if a large corporation dominates the delivery of such projects. In the latter case, the financial and organizational resources of corporations bestow upon them a far more dominant role in shaping the way in which the processes of citizenship are carried out, and in defining the criteria under which such services should be provided.

Ultimately, by admitting corporations into the sphere of citizenship and having them participate in societal governance, the lines between those 'corporate' citizens on the one hand and as governments with ultimate authority over these governance processes, on the other, get blurred. A social actor with the resources and power of a large multinational which *participates* in governance becomes increasingly indiscernible from the government as the ultimate and sovereign *authority* over these governance processes. In this paper, we will therefore examine in detail this aspect of corporate involvement in citizenship by asking, first of all, what exactly could be meant by talking of corporations as governments. This will entail an analysis of tasks, roles, intensities, scope and specific ways in which corporations have become involved in the governance of citizenship. We will then analyse the reasons for these shifts and identify ways in which corporations assume governmental roles in the arena of citizenship. Finally, we will discuss the implications of corporations taking up a governmental role, first for corporations themselves, but then also for the citizens whom they govern and ultimately for the governments whom they (at least partially) replace.

Our main emphasis is on the new obligations and responsibilities that the governance of citizenship might impose on corporations – and whether they have the mandate and capacity to perform these. Although we acknowledge that citizenship is about a symmetrical relation of rights and responsibilities, one issue that we do not directly address is the question of the rights that corporations might have if they act 'like' governments. It is not that this issue is entirely unimportant, but it is at present little more than a footnote to the major debate on the responsibilities of corporations towards citizens.

2. A citizenship perspective on the corporate 'takeover' of governmental functions

Elsewhere (Moon et al., 2005) we discussed the participation of corporations alongside that of human citizens, in a vertical relationship of power with governments. In this paper, we move from this distinction and analyse the idea that corporations can be on a horizontal relationship of power with governments, and a vertical relationship with citizens. Thus, rather than being 'like' citizens, corporations are regarded as 'like' governments, as shown in Figure 1. This, of course, raises the question of what governance role corporations are actually adopting over citizens if they supplement or even replace governments.

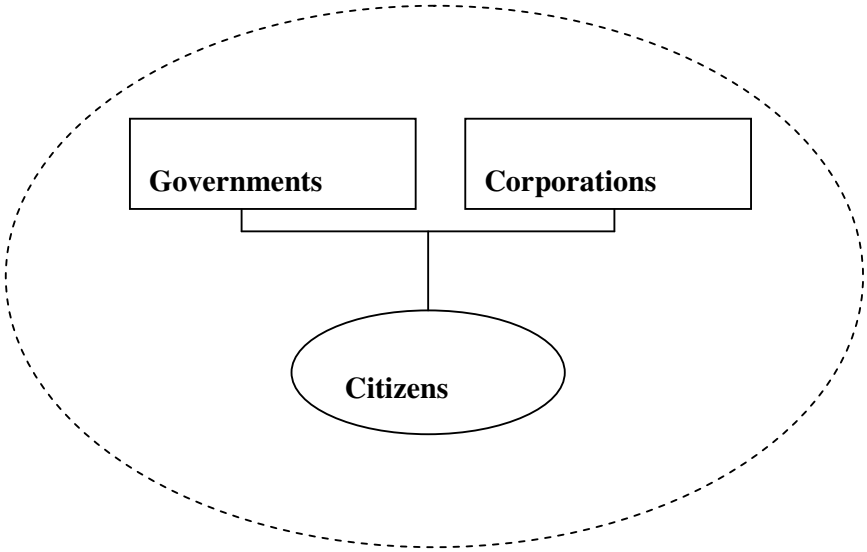

Figure 1 Corporations as governments

2.1. Corporations and the governance of citizenship

If the contention is that corporations can or have taken on the same role as governments as the counterparts of citizenship then, in order to examine the usefulness or plausibility of this contention, we would need to specify what exactly this might entail. Citizenship is essentially about three things: status, entitlements, and processes of participation (Crane et al., 2008b). Therefore, the governance of citizenship is basically concerned with how these elements are governed, by which we mean three main things: the definition, administration and guarantee of citizenship. When we refer to government we refer to government as a system involving law and policy making, the administration of the law and policy, and the adjudication of disputes either about the conformance with any single policy with a higher law or about the proper administration of legislation. Different polities have different institutional arrangements to fulfill these functions and that these have different merits is not our present concern.

First, governments, in their legislative function, *define* citizenship. This is basically established in the constitution which defines civil rights (and duties). Although in some systems, constitutional change requires approval by citizens, governments formulate the alternatives and authorize successive definitions of citizenship in broad terms. Further down the line, and in the case of democracies through the legislatures, governments also make specific laws that define at which level and in which intensity certain entitlements and processes of participation should be guaranteed. For example, the government will issue legislation defining the status of asylum seekers, or on entitlements to unemployment benefits.

Second, the executive of a government *administers* citizenship. This function includes the executive in the narrow sense of the cabinet or ministers, but also includes wider governmental bureaucracies the provision of healthcare, welfare, education, the military and the police force. For instance, the government will provide passport, immigration and visa processing services to administer the status elements of citizenship, just as it will operate a national health service to provide for certain welfare entitlements.

Third, the judicial function of the government *guarantees* aspects of citizenship, in that it allows citizens (and other arms of government) to address an independent body in scrutinizing the definition as well as the administration of various aspects of citizen status, entitlement and process. Perhaps the best example of courts informing citizenship is through the US Supreme Court and the European Court of Justice. The judiciary normally consists of a hierarchical system of courts, and may include institutions such as employment tribunals and small claims courts, all the way up to state, national, and supreme courts.

The functions of government here are perhaps most visible in the arena of entitlements to what is often referred to by commentators as ‘social citizenship’, most notably in the operation of a welfare state. The notion of the welfare state, or welfare capitalism, rests to a large extent on the assumption that governments are responsible for ensuring that their citizens are provided with basic social services, such as education and health. As Kymlicka and Norman argue, in T.H. Marshall’s thinking, ‘the fullest expression of citizenship requires a democratic welfare state’ (1994: 354; White, 2003). There are different levels and distributions of welfare state provision, if we compare, say, the United States to some European countries such as Sweden or Switzerland which have provided more comprehensive coverage (McCraw, 1984). These contrasts are even more dramatic when we compare North American and West European welfare states with countries in the non-democratic and/or non-capitalistic world, such as China, Cuba, Iran, or Nigeria. Still though, the notion that governments are responsible for a basic provision of healthcare, education, or security is a fundamental trait of most developed countries around the globe (Hacker & Pierson, 2002; Swank & Martin, 2001). The existence of a welfare state in most modern democracies is critical to mention in this context, because its fate in most countries since the late 1980s suggests some fundamental changes in the way citizenship is enacted and governed throughout the world. These changes, we would argue, have a direct implication for the way corporations are located within the citizenship arena, as we shall now discuss.

2.2 Shifts in the governing of citizenship

In the modern era, and most notably in the nineteenth and twentieth centuries, governments gradually became the dominant actor in governing (i.e. defining, administering, and guaranteeing) citizenship. This was as much true for western democracies, such as the UK or USA, as it was for communist regimes, such as the USSR, and many developing world countries such as India and Brazil. In general, the relative importance of other actors involved in the governance of citizenship, such as the church, charities, or landowners declined whilst that of the state increased. Corporations too, which might once have had some significant if rather irregular role to play – such as the model village experiments of Cadbury and Unilever – became less important than governments in providing for the social welfare and political participation of citizens. However, the starting point for suggesting that corporations are now more 'like' governments is the contention that this model characterising the modern era is been fundamentally overturned.

The supposed decline of the governmental responsibility for certain aspects of citizenship can be traced through a number of indicators (White, 2003: 3-9). One such indicator of the declining effect of the welfare state is the growing levels of inequality between citizens in many liberal democracies such as the US, but also in developing and transition economies. Given that the avowed or tacit goals of welfare states are greater equality this is a sure sign of a problem. Yet, the United Nations has identified growing disparities in income and wealth within many countries, including much of Latin America, Eastern Europe and almost two thirds of OECD countries (see for example United Nations, 2001). The UN has also identified general under-provision and widespread deterioration of basic services in many countries, coupled with an inability to keep pace with even the most basic needs of citizens. Probably the most compelling evidence in a European context seems to be persistently high levels of unemployment, which serve to exclude a significant number of citizens (e.g. as high as twenty per cent in some parts of Germany) from enjoying certain basic status and entitlements. Beyond the goal of equality, then, the failure of welfare systems to generate such a major concomitant of citizenship, employment, serves as a further blow to the claims of state efficacy.

As one of the main engines of economic development, the role of corporations in contributing to, benefiting from and addressing these new circumstances are increasingly widely questioned. Moreover, the explanations for the decline of the traditional welfare state approach are undoubtedly too complex reasons for a full rehearsal here. Thus, we shall therefore confine our analysis here to three factors that have a direct implication for corporations and their changing roles as major actors in the citizenship arena.

The first of these is the *institutional failure* of governmental institutions to provide the level of welfare provision they initially built up (at least in developed countries) after the Second World War, encouraged by Keynesian economic policies. However, in the 1980s most industrialized democracies in the West not only faced severe budget problems and excessive demands for social provision, but also developed arguments for choice and efficiency that favoured a more marketized (rather than status-based)

approach to provision. These developments subsequently led to a gradual cutback in the level and scope of straightforward governmental provision of public services.

Beyond these economic shifts and constraints there have also been arguments from an institutional perspective of a more fundamental failure of modern democracy (e.g. Beck, 1994, 1996, 1997a; Giddens, 1990). These commentators suggest that while, among other things, the welfare state was a key element of the 'modernization' process of western society over the last two centuries, we have entered a phase where governments are increasingly faced with the – mostly unintended – 'consequences of modernity' (Giddens 1990). While governmental institutions have been able to implement the logic of wealth distribution, they are intrinsically unable to serve as institutions that 'manage' the side effects of industrial modernity. In the age of reflexive modernity, as it is referred to, societies are governed by a form of 'organized irresponsibility' which leaves major ecological, economic, and social risks unaddressed. As such, certain fundamental citizen entitlements, such as security and clean air have been threatened, whilst citizenship status has been reshaped by technological incursions into privacy, reproduction and consumption, for example. As a consequence, we witness the emergence of a shift in the process of political participation to that which takes place in an arena below the institutions of traditional political actors. In this sphere of 'subpolitics' (Beck, 1997b) such issues are tackled by a plethora of actors, including civil society groups and, of course, corporations. For instance, concerns over genetically modified organizations in the UK led to pressure group campaigns, consumer activism and corporate decisions to ban their sale, even though the national government hesitated to act.

A second reason for this decline in the traditional role of government in governing citizenship is of a more political or even *ideological* nature (White, 2003: 8-15). Partly informed by the institutional failure of the classic welfare state, but also as phenomenon in its own right, there have been significant shifts in political thinking and practice since the 1980s regarding the necessity for 'big' government. This proved to be influential first in the USA and Britain but increasingly so also in most liberal democracies and, yet more dramatically, in the former communist world. Though these views are held most intensively on the right of the political spectrum, there has been increasing suspicion of the idea of a welfare state and a government that is in charge of so many aspects of its citizens' lives. At the core of the libertarian model are private property, a free market economy and a limited state. In particular, the 'New Right', as this political movement is often referred to, is suspicious of taxation as the basis of any decent welfare state provision and considers taxation to be directly impinging on the individual's freedom and property. Consequently, beginning with the Reagan and Thatcher governments of the 1980s, we have witnessed a radical restructuring of liberal welfare states, thereby leaving significant areas of former governmental involvement in administering citizenship delegated to private actors, be they charities or companies.

Though not to the same extent, and arguably more due to practical constraints, the new centre-left governments in Europe in the late 1990s, most notably in the UK, have followed a similar approach. The thinking here, often informed and underpinned by communitarian arguments, is that the state is still responsible for guaranteeing basic citizenship entitlements, but that it does not necessarily have to actually run the services themselves. The role of the state here is to ensure that everybody enjoys

sufficient access, but actually enables the provision of appropriate services by private actors. This approach has often been discussed and implemented under the label of the 'enabling state' (Cope, Leishman, & Starie, 1997; Deakin & Walsh, 1996; Gilbert & Gilbert, 1989).

Regardless of whether these shifts are informed by libertarian or communitarian thinking we have witnessed a fairly common trend: a substantial part of the welfare state provision and, in some cases even the guarantee of basic citizenship entitlements, has been delegated into the hands of private actors and governed by markets and contracts. It is at this point where corporations enter the picture: they are increasingly delivering goods and services which in the modern view of citizenship were clearly a responsibility of governments. And what is more, if markets fail to deliver these goods, citizens tend to regard corporations rather than governments to be responsible for those failures.

The third factor we see as contributing to the decline in the governmental role in citizenship and the emergence of corporations in vertical relations of power with citizens is the increased internationalization of economic, social, and political processes, often termed *globalization* (Turner 2000). Various commentators have identified a decline in importance of the nation state due to globalization, leading to a reshaping of citizenship (Falk 2000). The status and entitlements embodied in the traditional concept of citizenship are linked to a state that is sovereign in its own territory. The central characteristic of globalization, however, is the progressive *deterritorialization* of social, political, and economic interaction (Scholte 2000). This means that a growing number of social activities are now taking place beyond the power and influence of the nation state. In part this development is closely linked to the rise of new libertarian political thinking that, in particular, encouraged liberalization of world trade, reduction of regulation for foreign direct investment, and increased economic freedom for corporate actors. But in part this is also due to technological change, particularly in the sphere of new communications which have transformed the ability of information, financial capital, labour, and goods and services to be moved around the world at speed (Castells, 1989, 1998, 2000).

The disempowerment of states through globalization is nonetheless a rather subtle process (Beck 1998: 19-25). Nation states still have governments with full sovereignty in their own territories and they retain considerable power to make and administer rules, extract and deploy fiscal resources, and exercise force. There have even been various attempts at re-empowerment of government, such as the EU project to 'lever up' government authority. Nonetheless, the crucial changes effected by globalization are that: (a) nation states are exposed to economic, social, and political forces beyond their own control; and (b) actors within their own territories face increasingly lower obstacles to relocating activities into territories beyond the control of their original government. While the first aspect puts governments under pressure to provide more freedom to economic actors in order to secure employment and attract investment, the latter exposes government to the constant threat by corporations to relocate their activities where governments threaten to impose 'unacceptable' levels of regulation, taxation and control. Thus globalization provides an incentive to governments to refrain from costly and heavily regulatory action to sustain a welfare state or any other intensive form of governance of citizenship.

All three of these developments – institutional failure, new political ideologies, and globalization – have common implications for the governing of citizenship, namely that governments reduce direct delivery of citizenship entitlements and that shifts in the modes of governance open up spaces for other actors, such as civil society organizations and corporations to fill. Since our concern is primarily with corporations, we will desist from discussing at length the role of civil society here. However, it is important to note that the changing role of corporations in this respect is part of a broader shift in institutional boundaries and responsibilities between the actors and what had become their conventional modes of operation (Moon, 2002). Let us then look at the ways in which the governance of citizenship is distributed among corporate and governmental actors.

2.3 The division of labour between corporations and governments

There is a broad and inconclusive debate about this new societal role for corporations. While some contend that the takeover of governmental functions is a deliberate process of by corporations (Monbiot, 2000) others would suggest that we face a a 'silent takeover' where corporations enter this arena reluctantly, often even without precisely knowing what new functions they implicitly assume with entering new fields of business activities (e.g. Hertz, 2001b).

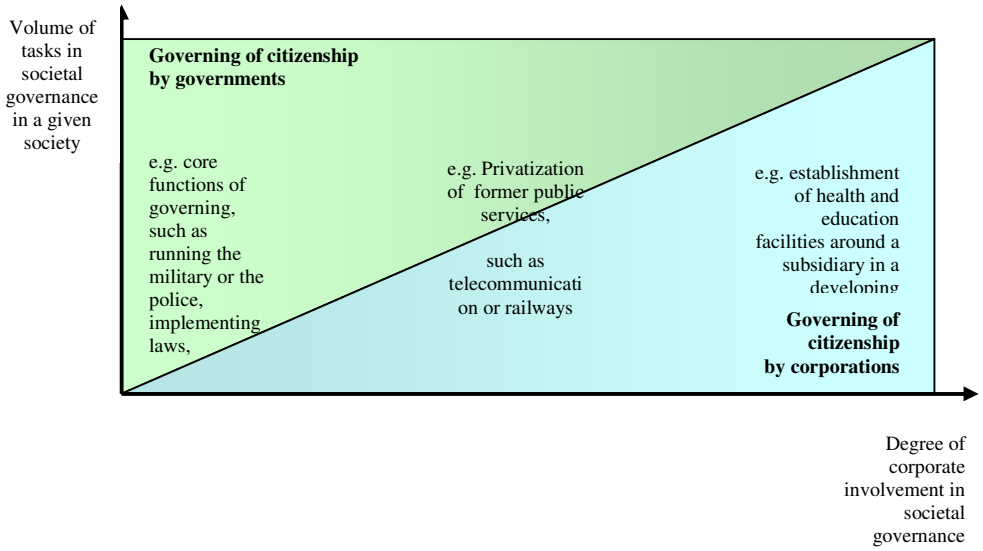

Figure 2:
Division of labour between business and governments in governing citizenship

The first point we would like to make is that this process of governmental retraction from governing citizenship is a gradual process rather than a clear-cut shift (see Figure 2). Clearly, in certain functions, such as core elements of policing, the military and key political functions of governing, governments still generally remain the central, and often the sole, actor. The exceptions here are where corporations find themselves unable to rely on governmental sources of security and be obliged to provide their own security systems for their operations and personnel as is the case for Shell in Nigeria. In other cases of core governmental responsibilities, issues such as

immigration, climate change, or the perceived threat of global terrorism, there is evidence that the roles of governments have even become more pronounced.

In other areas though, such as the privatization of key welfare state elements, we see a gradual shift towards growing corporate involvement. In this case, corporations tend to focus on the administration of citizenship while governments still set targets and supervise the process. Again, in many respects, governmental roles here have become more pronounced because, while outsourcing the delivery function of governing citizenship, governments in many areas tightly regulate these privatized services. Thus, where telecommunications have been privatised such that governments no longer deliver such services, governments have also introduced a great deal of new legislation to govern the new telecommunication markets (Majone, 1997). Likewise where new markets for social care have been introduced, governments have introduced new rules to govern these and maintained fiscal outlays to sustain them (Earles & Moon, 2000). In other cases, governments have even re-regulated areas where deregulation did not provide the desired outcomes. An example for this is the approach the British government has taken to private rail transportation in the UK over the last decade.

The examples of corporations replacing governments entirely are however a fairly rare phenomenon. The closest examples we would suggest at this stage are ‘company towns’ or situations where corporations establish systems of health and education provision in developing countries. More generally though, although governments have maintained or even increased regulation and fiscal outlays in many developed countries, they have transferred delivery responsibilities to other actors, including corporations, who at least take an increased share in the governance of the respective policy areas.

The transition of governing citizenship from governments to corporations thus can be thought of in terms of a continuum where different modes of sharing in governing between the two parties occur (see again Figure 2). Such transitions are often rather country, sector and even firm specific. If a company, such as Nike in Thailand, seeks to protect labour rights (e.g. by limiting working hours, paying living wages, preventing discrimination, enabling freedom of association), it is clearly involved in the administration function of governance. In the absence of governmental regulation (or the enforcement of it), such a role however could also entail the definition and the guaranteeing functions of governance, for example by designing a code that sets out basic entitlements (i.e. definition), and by implementing auditing, verifying and ensuring other compliance measures to prevent violations of the code (guaranteeing). We would posit, however, that in most cases corporations will become involved mostly in administering citizenship while defining and guaranteeing citizenship still largely remains in the hands of the government, particularly in more developed systems. Finally, there are only a limited number of cases imaginable where corporations become involved only in the definition and guarantee of citizenship, such as in cases of extreme state capture.

Table 1 Modes and mechanisms of corporations becoming actively involved in governing citizenship

Mechanisms of corporations becoming actively involved in governing citizenship	Key situations in which corporations are confronted with the governing of citizenship		
	Entitlements	**Status**	**Process**
1. Governments cease to govern citizenship	▪ Privatization of public services ▪ Providing elements of a former welfare system by outsourcing of services or direct investment ▪ Corporate philanthropy in areas such as healthcare, education, public services	▪ Violation of civil rights by governments in developing countries* ▪ Cut down on regulation and/or subsidies for 'old' industries in developed countries (e.g. coal, steel, agriculture, manufacturing) faces corporations with redundancy decisions ▪ Privatization of public services (e.g. prison management, policing)	▪ Influence of political decision makers through, e.g. lobbying, party funding ▪ Boycotts and other forms of civil protest targeted at corporations
2. Citizenship has not been governed as yet	▪ Working conditions in developing countries ▪ Provision of basic social services in developing countries	▪ Civil rights infringements in developing countries ▪ Use of new technology such as information technology or biotechnology which have an impact on basic protections,	▪ Lobbying by civil society in the home country to take political action in host countries ▪ Creation and sustaining of background institutions in developing countries
3. Governing of citizenship on a transnational level is beyond reach for nation state governments	▪ Negotiations on conditions for FDI with competing host countries ('race to the bottom') ▪ Regulation by global bodies, e.g. WTO, GATT etc which have a direct impact on social entitlements	▪ Direct governing of basic protections, e.g. in global financial markets ▪ Regulation by global bodies, e.g. WTO, GATT etc which have a direct impact on civil rights	▪ Private regulation by global bodies ▪ Regulation by global bodies, e.g. WTO, GATT etc which have a direct impact on political participation

3. Modes and mechanisms of corporate involvement in governance

The shifts in the division of labour in governance identified above are part and parcel of the continual reshaping of citizenship relations through history. Governments have not always been the main counterpart to citizens, but clearly became so in the past two centuries or so. It is important, therefore, to identify how the current transition in the governing of citizenship has taken place and what its implications are for corporations. In the following, then, we will examine the modes and mechanisms by which this change is, or could be, occurring and posit three different ways in which governmental and corporate roles in governing citizenship are be changing.

First, corporations might become involved in governing citizenship where *government ceases to do so*. This situation mostly occurs as a result of institutional failure and new political ideology in liberal democracies, and in the shift from communist to capitalist systems in transitional economies. For example, in some Eastern bloc countries, a whole host of social and economic entitlements that were once provided and guaranteed by the state have fallen into an 'institutional void' that in many instances is only sustained by foreign direct investment from overseas corporations.

Second, corporations become active in the citizenship arena where *government has not as yet assumed the task of governing*. Historically, this was the situation that gave rise to paternalistic employee welfare programs by wealthy industrialists in the nineteenth century. More recently, exposure to this situation for multinationals is particularly a result of globalization, where lack of local governance in developing countries presents corporations with a choice as to whether to step in as 'surrogate' governments.

Third, corporations become involved where the governing of citizenship is *beyond the reach of the nation state government*. These situations are a result of the globalization of business activities, increasing liberalization and deregulation of global economic processes, and escalations in trans-border activity by corporations.

As we shall now see, each of these contexts brings forth a range of mechanisms through which corporations might take over the governing of citizenship, most notably in terms of entitlements, but also in the context of civil rights (status) and processes of political participation (process). An overview can be found in Table 1, and more detailed discussion follows below.

3.1 Where governments cease to govern citizenship

Where governments cease to govern citizenship, this leaves open space for corporations to enter (or not enter) the arena of citizenship. This may happen in two ways: (a) either corporations have the opportunity (or are encouraged) to step in where once only governments acted or (b) corporations are already active in the territory concerned, and therefore their role becomes more pronounced as governments retreat.

In the area of *entitlements*, we see corporations increasingly active in the takeover of formerly public services, such as energy, water, transport, postal services, healthcare

or education (Crouch, 2003; Moon, 1999). With the UK and New Zealand taking the leading role, this development has meanwhile spread throughout most liberal democracies of the west including European countries with a strong traditional emphasis on the welfare state (Grahl et al., 1997; Green-Pedersen, 2002). This can either be the case in terms of a total privatization, as with telecommunications in most countries, or mixed forms of public-private partnerships up to partial privatization, where the government still sets the policies and goals while the operative implementation of the policies is sourced out to private companies (Wettenhall, 2001). Furthermore, in an increasing number of instances in local communities, corporations have been encouraged to step in to attend to those 'positive' rights that governmental actors have retreated from, either through the mechanism of privatisation or welfare reform (Harding, Wilks-Heeg, & Hutchins, 2000). In fact, many so-called 'corporate citizenship' initiatives are fundamentally equivalent to corporate philanthropy and targeted at reinvigorating (or replacing) the welfare state, such as improving deprived schools and neighbourhoods (see David 2000), sponsoring university education or the arts, or setting up foundations for health research.

In the area of *status*, most developed countries arguably provide their citizens with reasonable protection of their status and civil rights. Governmental failure, however, might become visible in developing or transforming countries (e.g. Kline, 2005: 44-85). In Nigeria, for example, Shell was implicated in the failure of the state to maintain the protection of the civil rights of the Ogoni people (see Wheeler, Fabig, & Boele 2002). Suggestions that corporations should 'step in' when the status of citizens is threatened indicates that, where corporations are already active in some way in a territory, government retraction of protection might conceivably be partially offset by corporate action.

Other common areas, particularly in the developed world, where corporations might be directly involved in defining the degree to which citizens can claim citizenship status, result from the downsizing of traditional industries, such as coal mining, steel production or certain areas of manufacturing. As a result, say, of owning property, or taking part in labour and product markets even though governments may conventionally have taken responsibility for protecting employment through regional economic policy, corporations also assume new responsibilities (Dawkins, 2002; Moon, 1991; Moon & Sochacki, 1996; Moore, Richardson, & Moon, 1985).

In these situations, rather than governments retaining responsibility, decisions may be effectively made by corporations (through their investment or divestment decisions) that determine the economic fate of local suppliers, the local economy, even the level of house prices, and more generally, the economic prosperity of entire regions (Hopkins & Hopkins, 1999).

Another particularly delicate area of corporate involvement in civil rights is the growing number of attempts in the US and Europe to privatize parts of their correctional and security services, such as prisons (Chang & Thompkins, 2002) and traffic regulation (Cope et al., 1997). We will come back to this area later in the paper since corporate involvement in issues such as freedom of movement, speech, information etc. epitomizes many of the anxieties that this corporate takeover of governance raises.

In the area of *processes* of political participation, the corporate role is actually rather more indirect. Corporations might help to facilitate, enable, or block certain political processes in society, rather than directly taking over formerly governmental prerogatives(Jacobs, Useem, & Zald, 1991; Sethi, 1982). At one level, corporate influence through lobbying and party funding has established corporations as more or less officially accepted players in the arena of political participation (Lord, 2000). More significantly, we can see that voter apathy in national elections in many industrialized countries has increasingly weakened the government's role as the sole conduit through which political choices and demands have been channeled. In contrast, there appears to be a growing willingness on the part of individuals to participate in political action *aimed at corporations rather than at governments* (Hertz, 2001a, 2004). Whether through anti-corporate protests, consumer boycotts, or other forms of action outside of the usual political arena, individual citizens have increasingly sought to effect political participation by leveraging the power (or vulnerability) of corporations (see for example, Micheletti et al., 2004). Hence, rather than replacing governments, corporations here could be said to have provided an additional conduit (or another node in an existing conduit) through which citizens could engage in the process of participation.

3.2 Where citizenship has not yet been governed

The second way in which corporations can enter the arena of citizenship in a way that is similar to government is where government has not as yet assumed the governance of citizenship. Historically, this was obviously the situation that many early corporations might have found themselves in prior to the twentieth century. Thus, through the welfare state governments assumed responsibilities which some companies had assumed for their workers, customers and communities through, for example, housing, recreational facilities, education. More recently, this has particularly been a situation in developing countries. Globalization raises awareness of these "vacuums" and exposes western MNCs, in particular, to charges that they are "responsible" in some way for governing aspects of citizenship in such situations. This is because in the absence of a viable governmental role, corporations become a kind of "default option" for governing citizenship. More recently, Chinese companies in Africa have been held responsible for failures regarding health and safety at work and wages much to the surprise of Chinese policy makers (Kurlantzick, 2007).

In the area of *entitlements* we have already seen that improving working conditions in sweatshops, ensuring employees a living wage, and financing the schooling of child laborers, are all activities in which corporations such as Nike, Adidas, Levi Strauss and others have engaged. Here, involvement in citizenship arises from MNCs outsourcing policies or foreign direct investment decisions. There is also an increasing number of examples where corporations are considered to be responsible for providing basic social services beyond their immediate stakeholders in these countries (Hippert, 2002). This is mirrored by the debate on the TRIPPS agreement and whether large pharmaceutical companies have an obligation to provide drugs for free (or at an affordable price level) to developing countries just because they are the only actors who can immediately address these issues because of government inability or reluctance to do so (Dunfee, 2005; Werhane & Gorman, 2005).

In the area of *status*, corporations might play a crucial role in either encouraging (or discouraging) oppressive regimes to offer genuine citizenship status to their people, perhaps because the corporation's very presence in the country already assumes some form of enabling relationship with the government. Questions about the presence of multinationals in South Africa during the apartheid era illustrated that arguments could be made both for and against corporations having a more positive role in promoting civil rights, for example through accordance with the Sullivan Principles (Donaldson, 1989). Similar discussions have since arisen over the presence of multinationals in Burma, Chad, Uganda and Sudan (Kline, 2005).

Another growing area where civil rights and other status issues are touched upon (in particular, issues of privacy and the protection of basic freedoms), is the emergence of new technologies, such as information technology or biotechnology. The protections that might be involved here for citizens have not been undertaken to any major extent by governments simply because the issues are new, the consequences yet unknown, and they involve complex ethical debates. Nevertheless, in areas such as genetic engineering or stem cell research, which can have massive implications on life choices of citizens, we find that corporations are increasingly in the situation to make critical decisions of governance long before governments have developed appropriate regulatory interventions. American IT companies have found that as a condition of operating in China, they have become implicated in policing free expression as they have had to share information on the identity of dissidents with the government (Crane & Matten, 2007: 484-5)..

Similarly, in *processes* of political participation, corporations can potentially be seen as a default option in the face of governmental inability (or unwillingness) to protect basic civil rights. For instance, in the case of Aborigine's land rights in Australia, it were corporations long before the Australian government who tried to involve Aborigines in complex deliberations about their claims to sacred places and to address contestations on land ownership. The Ogoni people in Nigeria, largely disenfranchised and marginalized by the Nigerian government used the Western MNC Royal Dutch Shell as a conduit to alert the wider public to the infringement of their minority rights.

3.3 Where governing of citizenship may be beyond the reach of the nation state government

A third scenario that may emerge on the global level is where the governance of citizenship may be beyond the reach of the nation state government. This is because relevant status, entitlements and process are associated with supranational or *deterritorialized* entities such as global markets or the ozone layer. Here, corporations may (or may not) take on a role in reforming or creating transnational institutions that play a role in governing citizenship where national governments cannot act effectively. The political role of the multinational has been an object of concern from the very beginning of its emergence and the very nature of transnational operations has fuelled a debate on the political influence of the corporation at a global level and its power to foster or impede the power of nation states (Bock & Fuccillo, 1975; Osterberg & Ajami, 1971).

In the area of *entitlements*, for instance, the global market for foreign direct investment can put considerable pressure on state regulation of economic, social and environmental standards. It has been argued that only if governments can offer "favorable" conditions to MNCs in terms of special taxation allowances, low social standards, depressed wages, and limited regulation of working conditions can they survive the "race to the bottom" and attract much desired foreign investment (Scherer & Smid 2000). Accordingly, it can become incumbent upon the actions of MNCs rather than governments to protect (or not protect) social rights, such as through the introduction of global standards and codes of conduct.

It is instructive that as a result of their frustrations with the failure of governments to address various cross-border issues that prominent NGOs turned their attention to corporations and international institutions to address various cross-border issues that prominent NGOs turned their attention to corporations to seek redress (Moon & Vogel, 2008). As Newell remarks for social movements, "targeting companies directly offers the prospect of higher 'returns' given that the investment decisions of major TNCs now dwarf those of many states." (Newell, 2000: 120). One example of this is the creation of the Forest Certification Council on the instigation of NGOs following "…the failure of international organizations that ought to have had the remit to enforce, to implement and develop good forestry standards …" (Bartley, 2003: 452). Similarly, given that the World Trade Organization limit national governments from requiring product labelling that describes how a product was produced outside its borders, many NGOs regard private product labelling and certification represents a way to provide consumers and firms with information about labor, human rights and environmental standards in supply chains (Moon et al., 2008).

In terms of *status*, we might suggest that in a world that is economically interlinked by global financial markets, nation states have only limited ability to protect certain aspects of their citizens' property (one of their civil rights). With pension funds and life insurance being linked to international capital markets, US or French pensioners rely on these markets to protect their property, yet they are beyond the full control of the US or French governments. Again, since corporations are the main global organizations active in world financial markets, they might be said to be one of the few actors able to reform them to improve protection of property rights.

Thirdly, concerning *processes* of political participation, the aforementioned arguments already seem to suggest that corporations themselves *assume* some indirect political role if they adopt such a pivotal place in granting and facilitating major rights linked to citizenship. This becomes especially evident if one analyses current changes in global governance. With increasing privatization of regulation, through programs such as the Chemical Industry's Responsible Care or the Apparel Industry Partnership, corporations have stepped in and taken an increasingly active role in the global political arena (Ronit & Schneider 1999; Schneidewind 1998).
An increasing number of commentators also highlight the powerful role of corporations in regulations by global bodies such as the WTO, GATT or the OECD. Though often indirect and via the conduit of their national governments, corporations and their associations have quite a significant influence on the way transnational regulation is made (e.g. Bakan, 2004: 22-25; Dahan, Doh, & Guay, 2006). Such regulation, however, has significant impacts on the way governments all over the world govern their relations with their citizens.

3.4 Corporate roles in governing of citizenship

If we draw together the analysis so far, we can see that corporations could be said to become involved in the governing of citizenship in a rather varied and complex fashion. With regard to entitlements, the corporation mainly either supplies (or does not supply) individuals with social services and other entitlement-based services, such as health, education, and security. Hence, we might suggest that corporations here are mainly governing by taking on a *providing or ignoring role*. In the case of status, corporations either provide capacity for or constrain people's status as citizens. Therefore, they can be viewed as governing through more of an *enabling or hindering role*. Finally, in the realm of participation processes, the corporation is essentially an additional conduit for the exercise of individuals' political participation. Hence the corporation primarily governs citizenship through a *channelling or blocking role*. These three roles are presented in Figure 3.

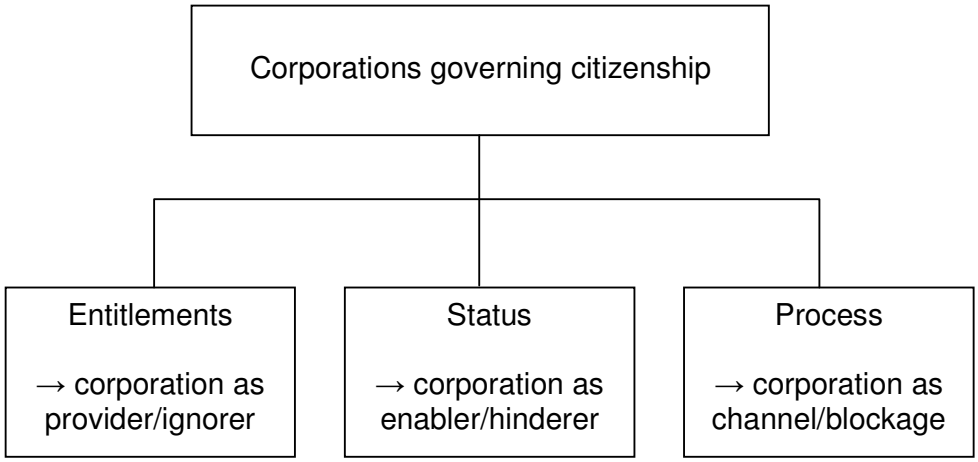

Figure 3 The corporate role in governing citizenship

Linking this analysis back to our discussion of basic governing functions – defining, administering and guaranteeing – we can offer some interesting insights. In the area of entitlements the providing (or ignoring) role chiefly involves corporations in administering citizenship, or in the executive-like functions of government. In the area of enabling (or hindering) status and channelling (or blocking) political process, the corporation defines, administers and guarantees citizenship, with a greater emphasis on the guaranteeing function in the absence of governments fulfilling those roles.

Having now clarified what it could mean to say that corporations are like governments in the governance of citizenship and having elaborated our case for suggesting that corporations are indeed practising some, if not all, of the roles and functions usually associated with governments, we come to the question of whether they are equipped to take on such a role and to address various related evaluative issues.

4. Evaluating the corporate governance of citizenship

In the following, we highlight some of the key implications and indeed problems associated with any potential uptake of responsibility for governing citizenship by corporations. Our discussion, first, raises issues around the capacity of corporations to discharge the governance of citizenship in an effective manner. Do they even have the basic apparatus to successfully achieve the task? Second and relatedly, do, and should, corporations have appropriate power to participate in the governance of citizenship? Third, the changing in roles and responsibilities implied by such shifts also suggests significant changes in the nature of citizenship. What are these changes likely to be, and what are their consequences? Finally, what new obligations should corporations assume if they adopt such government-like roles? We address each of these four questions in turn.

4.1 Corporations and the capacity to govern

When corporations join governments in governing citizenship, whether fully or partially, a first evaluative issue is the question of the extent to which corporations have the capacity to live up to this task. Liberal democracies have been equipped with what some call 'the machinery' of government which equips government to adequately govern relations of citizenship. It may be useful then to assess corporate capacity to replicate the typical institutional elements of liberal democratic governments, such as a constitution, law, judiciary, legislature, executive, bureaucracy, and military and police forces. By extending the government metaphor to corporations we can show that this perspective, on the one hand, helps to conceptualize a plethora of recent changes and innovations in the corporate toolbox. On the other hand, this comparison exposes significant deficits in the corporate infrastructure and capacity to replace government in the governance of citizenship.

Among the key functions of a *constitution* counts the establishment of unifying values and goals, a framework for stability, protection of freedom, and the legitimating of a regime. Equivalents of this in the corporate sphere include mission and values statements, as well as the burgeoning practice of issuing codes of conduct. Corporations, in particular multinationals, adopt these codes for similar reasons: to define and establish goals for their global operations. In the majority of cases, corporations adopt these codes initially to ensure that public criticism about their approach to various issues, such as labour rights, can be fended off. In this, codes have a legitimating function for the firm. From the perspective of citizenship though, the adoption of a code – for instance one that commits the corporation to refrain from dealing with corrupt officials – suggests that to some extent the corporation has already acknowledged a responsibility for governing aspects of citizenship, even if the language of citizenship is not typically employed in this context. In fact, the existence of codes in so many corporations is probably one of the most powerful empirical indicators that corporations are involved in the citizenship arena. The crucial deficit with codes, however, is that in many cases they are developed or adopted without substantial input from those citizens whose rights they are supposed to be protecting and governing. Moreover, there are only weak mechanisms to hold them to account in the event of shortfalls. In the democratic governmental realm, often constitutions emerge from, and are amended by, a democratic, or at least representative, process. In

the corporate sphere, most of these codes are simply the result of executive decisions[1]. In addition to that, there are weak mechanisms to hold corporations to account for shortfalls none of which, outside the governmental judiciary, have the power of enforcement. The strongest sanctions appear to remain approprium.

In the context of privatized public services, the contract with the respective governmental body in charge of the particular policy area would be as close a surrogate as possible to a constitution. Though this would be on a much more operational level, the contract or franchise that governments provide to the companies that are selected to run a particular public service provides the basic goals and values of the business. For instance, in the area of public transport this would stipulate the exact terms of service with regard to punctuality or fare pricing. The reason why this is not just left over to market forces is that – aside from the necessity to govern natural monopolies – the corporations in charge are not just running any transport business but are implicated in the public necessity to provide citizens with access to essential and affordable transportation. Where corporations sign contracts there is, of course, scope for judicial review and sanction.

The *law* as a set of binding public and enforceable rules basically breaks down the abstract norms and values of the code to specific and concrete areas in which citizens' rights need upholding and protecting. In the corporate sphere, with the increasing spread of codes and other corporate commitments, there is a growing attention to different forms of monitoring and control of these commitments, for instance through industry self-regulation or 'civil regulation' (Zadek, 2007). This typically revolves around compliance to industry or third party codes, such as the chemical industry's 'Responsible Care' programme or the UN Global Compact. As voluntary commitments, the correspondence of such initiatives with 'laws' remains rather loose, especially given that most initiatives do not impose penalties for non-compliance.

The analogy with government machinery becomes even more stretched if we look at the way these equivalents of basic elements of governments could be mirrored in the corporation in the area of *legislatures*. The general function of assemblies is to represent citizens in the making of laws. There is quite a vigorous debate about whether corporations can and should allow citizens to participate in their governance. We will restrict our comments here to the consideration of some equivalents of assemblies in corporations, the most obvious one being the annual general meeting of shareholders. Though the initial function of this meeting is to control the board with regard to financial issues, there are an increasing number of examples where shareholders have used this platform to express their will with regard to the way corporations have dealt with key citizenship issues, such as the entitlements of indigenous people or human rights issues, commonly referred to as shareholder activism. Some corporations have created stakeholder forums or focus groups that, it could be argued, serve as another surrogate of the functions of legislatures in the context of governments. However, whilst legislatures are components of *the* government, the fact that there are multiple corporations within single political spaces means that stakeholder forums are only representative for *a single* corporation, affording them rather less significance as forums for the exercise of citizenship.

[1] There are of course exceptions to this, especially in the case of third party codes. For example, the base code of the Ethical Trade Initiative, which is a coalition of employers, trade unions and NGOs, is based on the ILO labour conventions and draws on deliberations between the member organizations.

Moreover, these mechanisms of corporate democracy are all somewhat deficient. The ongoing debate on stakeholder democracy (Matten and Crane 2005) suggests that while corporations have succeeded in providing voice and representation to some direct stakeholder groups, most notably employees, there is only limited democratic control of corporations by constituencies beyond this, such as in the case of citizens in democratic polities.

The *executive* and the *bureaucracy* in a governmental context serve to implement the democratic consensus on how citizenship should be guaranteed and implemented. In principle, the equivalent of these parts in the corporate context, namely the (executive) board and the management of business operations could serve the same purpose. However, in practice these elements of the corporate structure only deal with citizenship explicitly as an exception. As Friedman (1970) in his critique of CSR noted that is not their express purpose and thus they are neither accountable nor trained for such purposes. Furthermore, the control of the executive by bodies representing citizens is fairly limited, which again exposes significant deficits in the governing of citizenship by corporations.

As elements of control, an important facet of government is the *judiciary,* which independently provides citizens with an opportunity to enforce their status and entitlements, and which controls the government's administration of these entitlements. The judiciaries is therefore part of the government but, crucially, in liberal democracies, an independent one. The latter criterion poses something of an obstacle to drawing analogies with the corporations. Although there are ethics committees, compliance departments and such like in many business organizations, they are mostly part of the internal hierarchy and, therefore, not independent. Even if external stakeholders or civil society actors are involved, the funding of these committees might pose conflicts of interest (Grimshaw, Vincent, & Willmott, 2002). The closest equivalent to a judiciary in many Western European countries then might be the role of works councils since they have a legal framework for acting as an independent body in scrutinizing the company's treatment of employees and their rights. On a broader, but somewhat looser level, we might also see the public, and especially the media, in the function of an independent scrutinizer of the corporation, although the nature of the influence, in particular the legal status of the 'judgements' are less binding and restrictive compared to the judiciary in the governmental context.

In order to enforce their policies governments rely on inspectorates and, most crucially, the *police* and in special circumstances, the *military* (which is otherwise mainly deployed in defence). This is probably the most striking contast of governmental with corporate capacity for governing citizenship. After all, companies do not typically have the right or ability to enforce their policies in a fashion similar to government. There are a limited number of features of policing within the corporate governance infrastructure, such as internal investigating or the employment of security personnel. But these elements are more derived from the fact that managers are entrusted with protecting the corporation's assets, rather than a result of corporations having the authority to protect the interests of citizens more generally. Where corporations do resort to the use of violence in the democratic context, this is generally regarded as illegitimate and a usurpation of a uniquely governmental role even though historically corporations have been ceded these roles (e.g. East India Company).

The issue of the right to deploy violence in order to secure policy perhaps most clearly reveals that corporations are generally established for different purposes than government and, consequently, have a very limited and underdeveloped capacity to govern compared to governments. There are certain elements of governmental machinery which can be found in corporations which are or could be used to support their role in the governance of citizenship. However, on the whole, there are clear deficits in the corporate infrastructure for the purpose of governing citizenship which, in turn, raise serious concerns about the ability of corporations to act like governments, as we will discuss in more detail in the following sections.

4.2 Corporate power and citizenship

When talking about the mechanisms by which corporations enter the citizenship arena we argued that in certain situations, corporations, rather than governing citizenship themselves, exert substantial influence on the way governments define, guarantee, and administer citizenship. Key examples could be seen in cases such as the withdrawal of American companies from South Africa under the apartheid regime, which contributed significantly to the collapse of apartheid in this country. Other examples, more on the negative side though, include the failure of big corporations in developing countries to exert pressure on governments to uphold citizenship rights, such as the case of Shell in Nigeria.

The crucial question in this context then is the extent to which corporations are able to exert power on governments either to uphold and honour or to infringe and neglect the rights of their citizens. We argue here that corporations may in fact be powerful enough to, as it were, ‘use’ governments as a tool of upholding or infringing certain citizenship rights. This ultimately leads us to the question of corporate political power or the power of corporations over the political process.

There are those obvious cases of state capture, often observed in developing and transitional economies (Hellman, Jones, & Kaufmann, 2000; Hellman & Schankerman, 2000), where corporations directly shape the administration of regulation by payments to public officials and politicians or simply by the threat of exit. However, in most cases, and in the context of most western democracies, there is much contestation about the claim that corporations actually influence political actors in a direct way. Certainly, the broad literature here paints a somewhat inconclusive picture (Akard, 1992; Epstein, 1973, 1974; Parkinson, 1993). While there seems to be consensus that corporations *do* have some degree of influence on the political process, there is debate about the strength and legitimacy of this influence. The crucial problem here lies in the very nature and definition of power. Following the Weberian definition, power could be defined as the capacity of an actor to force other actors to behave in a certain fashion, even if this behaviour is against the will of these actors. In the context of corporate influence on political decision making, the crucial problem seems to be that the political process in democracies is often far too complex to (a) trace the actual influence of corporations on political actors and (b) clearly identify whether a certain decision is solely or at least largely a result of corporate influence.

In this context we would like to highlight aspects of corporate power that are particularly conducive to provide business with influence over the way governments govern citizenship. Interestingly, the bulk of the literature on corporate power is more than twenty years old. In particular, in the USA there was quite an intense debate on these issues during the 1960s and early 1970s (see the discussion in Epstein, 1973, 1974). In the following, we draw on two key elements from Epstein's typology of 'Elements in Assessing Corporate Power', which, despite being somewhat dated, still seem to capture the relevant aspects for our discussion in this context – namely, bases of power, and means of power.

A first factor is the *base of power*, the most important elements of which are the wealth of the organization, the access it has to government decision-makers, its degree of patronage and its influence over mass media. While most elements are fairly obvious as a base of power, two particular aspects are worth highlighting. First, the element of patronage, meaning the dependence of other social groups, employees and governmental units upon the corporation, seems particularly important in areas where a corporation or an industry is the sole employer. In these cases, be it locally or beyond, governments appear to be rather open to corporate pressure since they depend heavily on their investment decisions and the commitment of corporations to maintain their operations in a certain region or country. Notorious in this context is the influence of the oil industry in the US or the role of the car industry on political decision-making in Europe (Orsato, Den Hond, & Clegg, 2002) and the USA (Luger, 2005). Even if this base of power is not constantly put forward by corporations, the very fact that it is there, and that companies can exert the threat of withdrawal, is argued to be a major leverage for corporations on governments (Matten, 2004). A second aspect is the media: apart from the rather obvious case of the overlap of governmental leadership and media ownership in Berlusconi's Italy, there is a general tendency in most liberal democracies towards growing corporate control of the media. This might be a direct result of liberalization and privatization efforts in the past but also indirectly through the fact that with growing competition from the internet, print and visual media increasingly rely on funding through advertising. This provides corporations not only with increased influence over the way citizenship is framed, but makes government far more responsive to corporations because they have influence over how policies are represented in the media. Thus, it has been argued that UK governments have been unusually attentive to the view of media owned by Rupert Murdoch (e.g. The Sun, The Times, Sky Television) and thus to Murdoch himself.

Furthermore, corporations also have various *means of power* on the political process, which can be grouped as governmental and electoral politics. The most common and obvious element of governmental politics is lobbying, be it by a single corporation or by industry associations. While this is a long established practice in the USA (Akard, 1992; Lord, 2000) there is growing evidence that corporate influence on legislation processes is growing in the EU as well (Coen, 1999; Dahan, 2005; Dahan et al., 2006). In a similar vein, the exchange of staff between corporations and government is a powerful way of securing corporate influence on governing. Though originating in the US, this practice has more recently spread throughout the UK and Europe as well.[2] While some of these means are transparent to the public, transparency is often

[2] We acknowledge however that in Europe, and in similar shapes also in Japan or South Korea, close relations between business and governments historically have not been uncommon. However, in societies with strong corporatist traditions phenomena such as the 'pantouflage' system in 1950s'

lacking. If a former corporate representative stands as a candidate for political office in an election, or if corporations contribute to funding electoral campaigns, the influence of corporations is far more long term and covert. It is here where the biggest conflict from a citizenship perspective lies: the means by which corporations influence environmental or social legislation – all of which directly impinge on citizens' entitlements – are only partially transparent and therefore are a significant source of controversy about whether or not corporations actually have power over the governance of citizenship through governments (Coen & Grant, 2001).

4.3 The changing nature of citizenship

If we are to take the involvement of corporations in the governance of citizenship seriously, we also need to ask if the very construct of 'citizenship' has changed. Granted, the concept of citizenship and its application have been in continual flux, but it does bear asking whether citizenship, when governed by corporations, is still characterised by a bundle of rights about status, entitlement and participation in the political process? Or, does the nature of corporate involvement transform these and, if so, how and why?

The answer to this question depends on the degree to which corporations take over governmental functions. Arguably, the nature of citizenship changes only marginally if corporations take merely a share in the executive functions of government. If governments still define and guarantee aspects of citizenship while the actual provision, for instance, of health care or prison management, is executed by private corporations, we could reasonably expect that citizens' entitlements should not change very much. In this case, only the responsibility for the delivery of the entitlement has changed from a governmental actor to another, a corporate one. The government retains responsibility for the guarantee of these entitlements by controlling the conditions under which corporations deliver the services. In this case, the nature of citizenship changes only in the way it is executed and this could even be regarded as offering a positive as citizens may obtain, inter alia, choices about the way their entitlements are delivered.

The problem though seems to reside in the fear that the involvement of private actors even in only the delivery of citizenship would change the very nature of the citizen's status and entitlement themselves. Arguably, the quality and price of many privatized public services do not remain constant but may vary significantly. If the provision of the services improves, such as in most cases of privatized telecommunication services over the last two decades, the creation of a market for these services has led to the fact that citizens make use of these services less as a citizen and more as a consumer. This has implications for the status held by the citizen/consumer, and furthermore transforms an entitlement to a public service into a market transaction for a commodity. This therefore raises the thorny question as to whether all public services need be a concomitant of citizenship and many would regard telecommunications as simply a service best delivered by competitive markets. Conversely, there is evidence

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France are more an expression of strong institutional links between and amalgamation of both societal sectors (in particular with high level of state ownership of businesses) than the deliberate effort of private business interests to influence and shape governmental actors and to manipulate the democratic process as such.

that access to cheap telecommunications has not only enhanced economic development but also social and political development in developing countries. So for instance, research has shown that a developing country with an extra 10 phones per 100 people between 1996 and 2003 would have had GDP growth 0.59% higher than an otherwise identical country (Coyle, 2005). Mobile telephones also significantly improve health care and access to other amenities for rural populations in the developing world.

There is, however, also ample evidence that in a large number of incidences, corporate involvement in the governance of citizenship through privatized public services does *not* improve the quality of the services, and can even exclude certain citizens from the service. This is because access becomes regulated by markets rather than by governmental bureaucracies according to legislated criteria (Grimshaw et al., 2002; Nelson, 1992; Wettenhall, 2001). In this case, corporate involvement reflects what we referred to above as ideological shifts in many governments in liberal democracies. These shifts, often referred to as 'neo-liberal' thinking in fact suggest a far more minimalist view of citizenship, confining basic rights of citizens to 'life, liberty and property' (John Locke, in Schuck, 2002). The notion here then is a much thinner view of citizenship in that it confines the government to a very limited role of, as it were, a 'referee' over a process which is fundamentally in the hands of private actors and controlled by markets.

The result of this process, however, is not only that citizenship is enacted in a different fashion, but also that the actual scope of entitlements and processes of participation may become smaller. One of the reasons for this is that the public goods associated with citizenship are often delivered in imperfect markets, or even, as in the case of public transport, in natural monopolies. The key problem, however, seems to be that the relation between governments as 'referees' and corporations as 'players' often lacks the requisite power and authority relations that would enable adequate refereeing to take place. Either because governments are too weak, corporations too powerful, or simply because the interconnections between the two parties are too strong, the delineations between executing and defining/guaranteeing may often be difficult to make (Sellers, 2003; Wettenhall, 2001). Thus, in the case of water privatisation in many developing countries, the rules of the game that are ostensibly intended to protect citizen interests in the new market context, are not made by governments alone, but after intensive lobbying by, and in dialogue with, private corporations and industry bodies.

The more corporations become involved in the definition and guarantee of citizenship, we would contend, the more the nature of citizenship changes. The most interesting example is the role of companies who provide healthcare or education for their workers and their families in the developing world. While these services ostensibly put the recipients in a similar position as de facto citizens of a liberal welfare democracy, the provision of such services is not the result of entitlements of citizens but the result of a voluntary decision by the company.

In some respect, this way of governing citizenship could be referred to in the Habermasian terms of a 'refeudalization' of society (Habermas 1989). In the current state of welfare capitalism and mass democracy, he argues, political debate and consensus in the public sphere has increasingly been dominated by political,

economic and media elites which control public opinion and political will formation. From a citizenship perspective, we would argue that entitlements and rights granted by independent governments are increasingly transformed into either philanthropic acts from the goodwill of private actors, or commodities that can be accessed through markets. The actual service an AIDS infected employee of the mining company Anglo-American in South Africa receives might not look too different from what s/he might also receive from the government – apart from the fact that the government might not even be able to provide these services at all or in a similar quality. The legal status though of this service is rather different. While s/he could claim these services as an entitlement of a South African citizen, receiving them from a private company in fact makes her dependent on the goodwill of her employer. This leaves the employee without any way of knowing or ensuring that the service is maintained over time, or continued in another organization should s/he wish to seek a new job. Similar to a dependent subject in a feudal context, her situation would not be a result of a secure legal status but a result of a decision of private actors which might or might not chose to bestow a certain benefit upon her.

While the situation of corporations acting as governments in assuming all three functions of defining, guaranteeing and executing citizenship makes this shift in civic status fairly obvious, the picture becomes more blurred in situations where corporations exert power on existing governments to define and guarantee citizenship. The corporate governance of citizenship through governments is rather difficult to assess by objective criteria, but there are certainly some clear indications that citizens in many western democracies feel more and more disenfranchised and regard the power and influence of governmental institutions as increasingly on the wane.

Arguably the strongest indicator of this changed perception of citizenship is the growing voter apathy in many developed democracies where often up to half of the electorate is not making use of its right to vote, a core feature of democratic citizenship. Though we would not put this down to corporate influence on governments alone (government remoteness and untrustworthiness are other variables), citizens also appear to see the democratic process in their countries as being increasingly dominated by the economic interests of corporations (as represented in Grass-quote at the begin of this paper). The implication then for citizenship is not so much that these citizens have a changed perception of what their specific status as citizens should be, but rather that they do not see governments as entirely able (or willing) to govern citizenship alone. If this is the case on a descriptive level, then what if any, are the normative implications of a shift towards corporate involvement in the governing of citizenship?

4.4. Obligations of corporations in governmental roles

We have hitherto argued that the governmental role of corporations is increasingly a civic reality occurring in different fashions, modes and forms all over the globe. We have said little though about the normative implications of this shift in the political landscape. There are three main problems that we want to discuss here: that of commitment, transparency, and accountability.

A first problem from a normative perspective focuses on the *commitment* of corporations to their role as government-like entities. Corporations enter the arena as actors which have a particular economic self-interest. This self-interest may or may not be the motive for their assumption of governmental roles but it will certainly affect the way they govern citizenship. If a company assumes responsibility for health care in a village in a developing country or if it gets involved in public-private partnerships in public transport they become involved in delivering basic entitlements of citizens. As these are linked to specific rights (rights to life, health, education, etc) the question immediately arises in how far a company is able and willing to guarantee these rights in a fashion similar to government. If corporations donate free medication to developing countries or engages in other forms of philanthropy, what happens if these philanthropic activities cease to be in the company's self-interest? If companies take over the provision of former governmental services in education, how can citizens still claim these rights and be assured that they can rely on these services and that their citizenship rights are still guaranteed given that the corporation may move its operations to another country entirely?

There are examples of charities who have refused corporate donations of pharmaceutical products on these grounds and preferred to rely on – albeit insufficient and limited – governmental provision of these goods. The key problem with a corporate commitment to providing these services as rights of citizens lies in the fact that in many cases they enter the citizenship arena inadvertently. A company taking over the provision of water services may simply be in the water business, rather than seeing itself in the delivery of basic citizenship entitlements. As a consequence, companies are highly unlikely to assume their role with the same commitment to governments – it may not necessarily be *less* commitment, but it is almost certain to be different.

The other deficit with regard to the corporate commitment to citizenship lies in the legal framework of corporate activities. As this development toward corporations as governments has happened largely unacknowledged over the last couple of decades, there is hardly any legal framework that actually commits companies to the governance of citizenship, leaving large swathes of regulatory responsibility to the market.

One response to the concerns on corporate commitment to the governance of citizenship is simply that the countries in which these anxieties are most acute are precisely where either governments have consistently failed to provide the services or lack the regulatory and judicial teeth to hold corporations to their commitments. Something is better than nothing. However, this observation should both qualify the claims made by the corporations about their contributions and should focus critiques and international government policy on the deficiencies of the respective governments rather than on the corporations.

This problem is closely linked to the issue of *transparency* in the governance of citizenship. Because governments govern the exercise of rights of citizens, there are extensive demands for transparency of governmental activity, to ensure that fairness and, increasingly, effectiveness are maintained. The mechanisms for transparency in most liberal democracies are numerous, including government reports and inquiries, budget reports and announcements, 'league tables' of public sector performance and

other features of the 'audit society' (Power, 1999). If corporations become involved in similar activities, then a similar degree of transparency to citizens might be expected. To some extent, corporations have begun to address this through social reporting and other communication vehicles. However, transparency is particularly a problem in situations where corporations exert their power on existing governments and shape the way these governments govern citizenship. Arguably, the distrust in governments and the feeling of disenfranchisement of many citizens in liberal democracies derives not so much from the fact that certain corporate interests have played a role in a decision-making, but that the modes, channels, and results of corporate influence are not transparent.

Closely related to the claim for more transparency is the claim for more *accountability* of corporations as governors of citizenship. There is a wealth of literature in management looking at forms of increased corporate accountability to stakeholders (Logsdon & Lewellyn, 2000; Owen & O'Dwyer, 2008) most of which looks at innovative forms of reporting and interaction patterns with stakeholders – and in some cases governments could also learn from these. In the context of corporations acting as if they were governments, however, accountability would require mechanisms similar to those which ensure that governments discharge accountability, most notably through the electoral process. This would in particular be the case in situations where corporations administer citizenship *as* governments. What, for instance, are the mechanisms through which citizens of developing countries can hold pharmaceutical companies to account for their effectiveness or otherwise in providing affordable drugs? In cases where corporations govern citizenship on the administering level, there are normally governmental bodies who hold the companies accountable by setting them targets and goals. However, the reality often seems to be that these mechanisms of accountability are only working to a very limited degree (Grimsey & Lewis, 2002) and, crucially, do not provide direct channels of discharging accountability to citizens .

5. Conclusion

In this paper, we have explored in some depth the contention that corporations play a similar role to governments in vertical relations of power towards citizens, and have examined the applicability of the government metaphor for assigning responsibilities to corporations. We have seen that the notion of citizenship offers a powerful lens for examining the power and responsibility of corporations towards citizens, and it would appear to be particularly useful for examining the *entitlement* dimensions of citizenship, especially in relation to basic social and human rights, such as rights to health, education, security and decent working conditions. This contrasts with some or our previous work (Moon et al., 2005) where we argue that the idea of corporations being like citizens was particularly useful for examining *process* dimensions of citizenship.

What is clear from our discussion is that governments have indeed reduced direct delivery of certain citizenship entitlements, and that there are shifts in the mode of governance that open up spaces for other actors notably, but not only, corporations, to fill. The point is not, in general, that corporations replace governments completely, but that they take on some of the roles and responsibilities previously assigned to

governments – or where governments have yet to, or cannot, take up responsibility. Indeed, by breaking down the functions of governing into defining, administering, and guaranteeing citizenship, we can see that claims for government-like roles of corporations are actually strongest in the area of administering citizenship (where corporations take on a providing role), although aspects of defining and guaranteeing citizenship can also come under the influence of corporations, particularly when their power is exercised through governments. In general, though, the metaphor of corporations as governments begins to break down when we explore the capacity of corporation to organize the governance of citizenship in the same way as governments. Whilst there are echoes of constitutions, laws, judiciaries and the like in the corporate realm, their correspondence with governmental forms is rather limited. Thus, whilst corporations have significant roles to play in the delivery of entitlements, their ability to guarantee, enforce, and enable democratic participation of citizens is substantially compromised.

Finally, the main limitation of the metaphor of governments for corporations is the fact that corporations essentially compete with other corporations in political spaces, whilst governments generally do not (at least not in relation to citizenship issues[3]). Citizens participate in relations of power and responsibility with *the* government, but with *a*, or *many,* corporations. The citizens' relations with corporations are therefore more transient, shifting and polygamous. What is particularly interesting here is that citizens in fact may take up varying relations with corporations depending on the type of interaction and expectations they have, whether as employees, consumers, local communities, or whatever. We have explored this in more depth elsewhere (Crane, Matten, & Moon, 2004) by examining the contribution of the citizenship metaphor for understanding stakeholder relations with the corporation – i.e. the notion of stakeholders as citizens.

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[3] Although governments in federal systems could be seen as in competition for political supports, this rarely extends to citizenship type issues (an exception could be the Canadian system of asymmetrical federalism which grants Quebec a role in citizenship status alongside that of the federal government by virtue of its unique powers over immigration).

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