



Business Reasons and Democratic Duties

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In [Corporations and Persons: a theory of the firm in democratic society \(Oxford 2025\)](#), I propose a framework for repairing a dysfunctional relationship between corporations and the rest of democratic society. It calls upon people who blame big business for all the world's ills to stop engaging in this kind of demonization, and to join those looking for more collaborative solutions. At the same time, it calls upon business leaders to understand how they have contributed to this broken relationship by failing to recognize and act upon their responsibilities within democratic society.

Among other things, these “democratic duties” concern how firms may responsibly engage in the democratic political process. Existing codes on this topic emphasize the moral need for transparency and authenticity in their political activity, consultation with their stakeholders in the formation of policy positions, and the avoidance of undue influence in the democratic political process [see Table 1]. In addition to these considerations, I suggest the need for managers to be aware of sources of bias and other epistemic limitations in how they understand what is in the public interest.

The book explores further responsibilities of businesses within democratic society. These include the moral need for compliance with democratic laws and orders, cooperation with the rest of society in democratic policy making, and the defense of liberal democratic institutions when they are under threat [see Table 2].

One of the book's overarching claims is that the American business community has failed in general to recognize its democratic duties. I highlight, for example, how in both the Enron-era scandals and in the lead-up to the ensuing Global Financial Crisis firms wrongfully shifted democratically-regulated business activity to countries functioning as regulatory havens. I also show how in the latter case the financial industry exercised undue political influence to prevent governments from effectively regulating its activities.

The book then suggests that the failure of the American business community to adhere to its democratic duties has undermined social trust not only in the business sector, but in democratic society as a whole.

One of the distinctive arguments of the book concerns why businesses have these democratic duties. It rejects the dominant view, which holds that the “business case” for action must always be rooted in the financial success of the individual companies in question. On this view, businesses



must determine whether it makes sense to work within the existing social and political environment, or to try to create conditions that are more congenial for their own long-term profitability.

According to this dominant view, firms can have reason either to support constitutional democracy when it is threatened, or to side with its opponents. For example, some companies may side with aspiring autocrats to fend off unwanted taxes and regulations that would otherwise be democratically imposed. Other firms may prefer operating under democratic institutions and the rule of law, but judge that the risks associated with resisting authoritarians outweigh the potential benefits.

The business case for supporting liberal democracy is thus tenuous on the dominant view. But, perhaps surprisingly, so is the case for this purely profit-maximizing understanding of business reasons. As I demonstrate in the book, the economic, legal and philosophical arguments for this view collapse under scrutiny. Indeed, even free-market champion [Milton Friedman \(1970\)](#) recognizes that there are important moral constraints on how corporations pursue profits, including a duty to restrict themselves to engaging in free and fair competition.

This constraint suggests a second view which holds that, in addition to self-interested considerations, companies have “business reason” to honor the structure of competitive markets. For example, [Heath’s Market Failures Approach \(2014\)](#) holds that firms have an obligation to refrain from taking advantage of market failures, because these failures undermine the economic efficiency that socially justifies competitive markets. One could readily extend this view to hold that, given their societal benefit, firms have reason to defend competitive markets when they are under threat.

Going further, one might argue that firms have a duty to support liberal democratic institutions insofar as they best provide the social and political conditions under which competitive markets flourish; however, [the underlying empirical claim here is uncertain](#), with some arguing that liberal democracies are not economically competitive in today’s global business environment.

The book argues for a third understanding, in which the business case for supporting constitutional democracy does not depend primarily on how well it supports the functioning of competitive markets. This understanding does not see the corporation as a pure profit maximizer, or as one with a limited set of moral duties grounded in the justification of the market. Instead, it views the firm as akin to a human person, which is interested not only in making money, but also in maintaining a web of moral relationships. On this view, the question for a business is not “How do we make as much money as possible?”, or even “How do we do so while honoring the societal value of the free market?” but rather “How do we deliver on our substantial obligations to our shareholders, while simultaneously honoring our obligations to all our other stakeholders?”

In focusing on this question, the book shifts away from an exclusive focus on serving the interests of either shareholders, or of a broader class of people. Instead, it re-directs the firm to its distinctively moral obligations to shareholders, employees, customers, etc., whether those obligations are grounded in contractual relationships with them, or in their basic human dignity.



The book combines this way of seeing things with the recognition that businesses have a morally important relationship with the citizens of the democratic societies in which they operate. On this view, businesses must honor their democratic duties because free and equal citizens share the moral authority to democratically determine how to arrange society.

This implies that [businesses have a responsibility to defend democracy when it is under threat](#). Business leaders have a complex set of moral responsibilities with regard to all their stakeholders. However, when aspiring autocrats seek to consolidate power, this creates an all-hands-on-deck moment in which all people in society—no matter the normal duties of their social roles—have a responsibility to defend democratic institutions.

How businesses can best support liberal democracy when it is under threat, while balancing all their other obligations, requires managerial wisdom. Sometimes, firms should openly defy autocratic demands. Other times it makes more sense for them to quietly resist, or to wait for more opportune moments to act. [Business leaders can learn from each other—and from history](#)—about how to best respond. Tactical considerations aside, though, they always have a moral responsibility to adhere to their democratic duties, simply because this is what we owe free and equal citizens like ourselves.

TABLE 1. Examples of Existing Codes

Code	Democratic Duties Emphasized
B-Lab Standards: Government Affairs & Collective Action	Transparency, Consultation, Cooperation
Erb Principles for Corporate Political Responsibility	Transparency, Authenticity, Consultation, Undue Influence, Compliance, Defense
OECD Principles for Transparency and Integrity in Lobbying	Transparency, Consultation, Undue Influence
UN Global Compact: Towards Responsible Lobbying: Leadership and Public Policy.	Transparency, Consultation

TABLE 2. Democratic Duties of the Firm

Duties to Submit to Democratic Governance
<ul style="list-style-type: none"> • A duty of compliance with the democratically determined spirit of the law.
<ul style="list-style-type: none"> • A duty to not take advantage of tax and regulatory havens to escape democratic governance at the national level, or to opt out of a system of fair and effective governance of a global problem
<ul style="list-style-type: none"> • A duty to not undermine the democratic character of a society by seeking to capture key democratic institutions, such as courts and regulators.
<ul style="list-style-type: none"> • A duty of non-interference in the democratic political process, which requires that firms not seek more than their fair share of attention from policymakers or the public, or seek to mislead these democratic decision-makers.



- A duty to give equitable consideration to the interests of all affected parties when they engage in political activity.
- A duty of critical self-reflection to discover and correct for potential biases they may bring to their understanding of public policy; and in certain cases, a duty to meaningfully consult with vulnerable and marginalized parties.
- A duty of corporate managers to develop an historical awareness of:
 - how their predecessors have formed public policy positions, and how their policy recommendations have actually fared when implemented.
 - the longstanding worry within the business community that democratic forces represent an existential threat, and how this can lead to a kind of contempt for democratic governance.
 - the ways that the history of capitalism is intertwined with the history of colonialism, racial oppression, and slavery.
- A duty of transparency regarding their own political activities
- A duty to attune themselves to systems of democratic social governance so that they can abide by them, and to participate in the social conversations to improve them.

Duties to Support Democratic Governance

- A duty to warn society of emerging social problems associated with their industries.
- A duty to inform public policy debates with relevant information and expertise.
- A duty to cooperate with government in the formation of public policy regarding their industries, and in achieving democratic social governance of problems they are implicated in.
- A provisional duty to adhere to voluntary standards whose creation, to the extent possible, meaningfully involves all affected parties when an industry becomes aware of a new problem which the rest of democratic society is not yet in a position to address.
- A duty to inform democratic decision-makers if they become aware of actual or potential ways for firms to avoid the democratic intent of the tax code or other regulations.
- A duty to be open to opportunities to shape their business plans in accordance with democratically chosen ends if they can do so at little to no cost to their own corporate goals and obligations.

Duties to Respect and Defend Liberal Democratic Institutions and Values

- A duty to not adopt a business strategy which knowingly undermines democratic institutions and values.
- A duty to support and defend liberal democratic institutions and values when they are implicated in attacks upon them.
- A duty to use their legitimating and delegitimizing powers to stand up for vulnerable people and vulnerable democratic institutions.

