How do MNOs impact Democracies

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Introduction

As the rise of Multinational Organizations has been sparking interest in individuals, their impacts, both positive and negative, on democracies have been gaining attention as well. The biggest aspect of MNOs that have been in the forefront recently, has been their level of corruption. Researchers have found that there has been an attempt to stop this corruption through a multitude of security measures (Wulf, 2012). But, their level of power still creates major concern when focused on politics. At the basic level, a Multinational Organization is, "... a company that has business operations in at least one country other than its home country…" and as some researchers have found, generates at least 25% of their revenue outside of its home country (Chen, 2022). This proves the economic value that they bring to the countries they inhabit. A democracy is "a government by the people" (Webster, 2023). Democracies are supposed to reflect the people's wants and needs, but it has been seen that the more money power that one has, the more influence one has in policy making. The relationship between these two entities is rather complex and has been continual for centuries. One research found that the history of MNOs can be linked to the history of colonialism (Chen, 2022). This showcases that this relationship has had time to build and become as complex and powerful as it is today. The study also found that one of the earliest known MNOs was named "The East India Company", founded by Britain in 1600. This company took part in international trade and exploration with trading posts in India (Chen, 2022). Although current research reflects how MNOs as a whole have characteristics that influence democracy, insufficient detail has been paid to the different types of MNOs and how their differing characteristics and level of influence directly impact democracy. It was hypothesized that the International Division within a Corporation Multinational Organization would negatively and directly influence democracy the most due to

its structure being responsible for the majority of the decision making in all of its operating countries and facilitates general activities in local, foreign markets. These two key components working together create power and major influence. This topic is very important because it will show whether or not democracies are truly for the people or if they are corrupt and MNOs carry the power. This paper first maps out what MNOs and democracies are separately along with their complex levels, then what characteristics those levels possess and how those characteristics equal influence, and finally how the two connect to create this complex relationship.

Review of Literature

Multinational Organizations

A multinational organization at the basic level can be defined as, "... a company that has business operations in at least one country other than its home country…" (Chen, 2022). A multinational organization's main goal is to have one or more products that appeal to people on a global basis ultimately to increase the organization's overall wealth and power. More recently there has been discussions on certain organizations abusing their power which leads to corruption. One researcher described MNOs to be "aware of and understand federal, state, and local laws as well as internal company-specific rules" (Wulf, 2012). Multinational Organizations hold a big responsibility to know and understand the laws and norms of the countries they are operating in, in order to remain in good standing. But an argument that has become more prominent is that MNOs are able to bypass some of these laws and regulations due the amount of power they hold on that country's economy.

Democracy

A democracy is defined as "a government by the people" (Webster, 2023). A democracy, as seen in the United States, is supposed to have the ideals of "the land of the free" and that the people in that country have a voice on what legislation and laws are passed. There are many different forms of democracy that encompass different values and norms, but one researcher described democracy as being "both created and consolidated by a broad process of 'modernization' which involved changes in 'the industrialization, urbanization, wealth, and education which are … interrelated … to form one common factor." (Acemoglu, 2006). Democracy has a multitude of definitions and the one that describes the main focus to be serving the people, may not be the whole truth. Democracy was built on the basis of modernization, which can be defined as, "the process of adapting something to modern needs or habits"(Dictionary.com, 2023). This basis and definition is very similar to the objectives of an MNO, which is to adapt to the laws and regulations of the country that they are operating in.

Through my research, I was unable to find any peer-reviewed articles that display the relationship between democracies and multinational organizations. However I was able to find other factors that influence democracies and the influence that MNOs and INGOs have on different concepts like economy, public relationships, and entrepreneurship.

Relationship between levels of income and democracy. This portion is dedicated to finding different variables that affect democracy. It has been seen worldwide that there is some form of a correlation between income per capita and democracy. Places with higher income per capita are usually in a democracy, whereas places with lower income per capita are in non-democracies. Some researchers concluded that "political and economic development paths are interlinked…" (Acemoglu, 2006). "Democracy is simply an entailment of a high level of

social and economic development" which would help explain why "authoritarian rule is prevalent among low-income countries, while democracy is more commonly found among wealthy countries…" (Londregan, 1996). Democracy has more characteristics than being "for the people", and is a result of high levels of social and economic development which would explain why democracies are seen more in wealthier areas.

Democracy and Entrepreneurship. Democracy and entrepreneurship are built on the same foundation of "requiring a context in free choices in both thought and action(Bradley, Klein, Audretsch, 2016-2022)… the freedom of thought and action serve as a cornerstone for democracy" (Dahl & Audretsch, 1998-2020). This link began with Adolf Hitler and his National Socialism party. His party was able to lay out a multitude of laws and policies that promoted entrepreneurship, but suffocated democracy and due to this the number of law firms in the area fell drastically. (Audretsch, 2020).

Multinational Organizations with economy and National Interest. MNOs do so well with the economy because they are able to take advantage of trade and use that to their benefit in order to mass export their products. (Long, 1973). MNOs have the right tools in order to flourish in different countries, but due to the economic value that they bring they are able to escape punishment for the corruption they cause. The factors that resulted in the rise of MNOs can be defined as, "foreign trade barriers, proximity to markets, favorable tax laws…" (US Government, 1978). Those were just a few of the factors listed, but they do not accurately describe the reason for direct investment. "Direct investment is a response to the shrinkage of the world due to technological advances in transportation and communication" (US Government, 1978) is one of the many explanations to this theory.

Critique. All of the literature that was found will help further define the independent and dependent variables respectively and provide the necessary background of them. They provided different variables that impact democracy and MNOs, along with the characteristics that define both variables I am studying but did not strictly examine the relationship between the two.

Theory and Hypothesis

Theory. As I have stated previously, Multinational Organizations possess great wealth and with wealth comes power. Although democracies are usually seen in areas with higher income per capita, I theorize that Multinational Organizations would hurt rather than help democracies. This is because with the power that Multinational Organizations possess, they are able to use that in order to influence different political events where they are located. Similar to how economic statecraft works, Multinational Organizations are able to use the power they have on that specific country's economy in order to secure political means. This conflicts with a democracies ideology since decisions made in a democracy are supposed to be based on the people's wants and needs but when there is a Multinational Organization present, their needs are prioritized due to how much they benefit the economy. One researcher describes an autocratic system as, "... characterized by the monopolization of power in the hands of a small elite, with few or no constraints to prevent them exercising their power in their own interest…" (Shrabani, 2014). Seeing that a democracy is defined as "a government by the people" (Webster, 2023), the two simply cannot peacefully coexist. Multinational Organizations come with a very strong chance of corruption due to the wealth and power they hold. With that being said, if Multinational Organizations are able to influence political and economic events and situations, that shifts the power from being "by the people" to in the hands of a small elite. Which would also mean that

the form of government would technically change, whether or not the citizens of that country knew or not. This then creates corruption because as long as the government is accepting bribes from that multinational organization, there now is no need to listen to what the people want since they are collecting revenue regardless. Centralized Corruption can be defined as, "... bribe-extracting officials act[ing] together as a joint monopolist to maximize the combined revenue from bribes." (Shrabani, 2014). Democracies who possess one or more multinational organizations are more at risk of experiencing corruption, which would not only influence their form of government but also hurt the citizens. It has been found that leaders who are in power want to stay in power and will do whatever they need to in order to stay in power, usually in order for those leaders to stay in power they would need to listen to the public's wants. But since Multinational Organizations are funding/bribing them, the public loses their power. The government now does not need the citizen's money in order to maintain power, so their wants and needs no longer play a factor in the government's decision making. The government also wouldn't have to fear being overthrown due to their flow of income from these organizations that would be used to buy stronger military equipment. `  `

Hypothesis. Democracies who possess one or more Multinational Organizations are more at risk of experiencing corruption.

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