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The Privatization of Global Governance and the Politicization of the Business Firm – Problem or Solution?

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Students of management, economics and political science widely share the assumption that business firms focus on profits only, while it is the task of the state system to provide public goods. In this view business firms are conceived of as economic actors, and governments and their state agencies are considered the only political actors. I will argue that, under the conditions of globalization, the strict division of labor between private business and nation state governance does not hold any more. Many business firms have started to assume social and political responsibilities that go beyond legal requirements and fill the regulatory vacuum in global governance. Global regulatory regimes are increasingly including private actors in the definition and enforcement of rules and they provide soft law instead of hard law in order to regulate the decisions of (in particular multinational) corporations. Governance mechanisms partly even work without the participation of governments, such as in the case of the Forest Stewardship Council. This tendency to include private actors in political governance provokes questions of democratic legitimacy – both concerning input legitimacy (procedures of will-formation and decision making) and output legitimacy (efficiency of self-regulation through soft law). I will discuss the implications of the emerging paradigm of political corporate social responsibility (CSR) for theorizing about the business firm, governance, and democracy.