

Bad business and corporate responsibility

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I have a presentation for the Corporate Accountability Network at Essex University yesterday. I did not use slides, although I had prepared some. These were my notes, in that case:

Bad business and corporate responsibility

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Bad business and corporate responsibility

- * The issues for this talk
- * What is:
- * Business?
- * Good and bad?
- * The corporation?
- * Responsibility?
- * And how can we manage in accordance with the resulting insights

Business

- * At its most basic:
- * The exchange of goods and services between willing parties for mutual advantage
- * We all do it

- * Inherently there is nothing wrong with it
- * No one but a hermit can avoid it
- * And even they might abuse the planet

- * I'd suggest business is not our problem

Good or bad?

- * Let's stick to the business context
- * And I'm going to be horribly 'positive' about this and to an extent exclude normative considerations
- * I draw out two issues:
 - * Willing parties
 - * Mutual advantage

- * Economists assume perfect information to overcome these issues - suggesting everyone knows what they're taking part in
- * The reality is that this is not true
- * Good or bad depends, I suggest, upon the asymmetry of information in the deal

The corporation - 1

- * Many right-wing thinkers would suggest there is no such thing as a corporation
- * It's an agent
- * A mere bundle of contracts
- * The representative of its owners
- * Without objectives or existence of its own
- * Very politely, these people need to get a life in the real world

The corporation - 2

- * The corporation has become an exercise in excepting some from what they think might otherwise be their responsibility
- * Shareholders say the managers of a company are responsible for it - so don't blame them

- * Managers claim shareholders demand that they pursue profit, come what may
- * Society affords limited liability - allowing shareholders and those who represent them with at least partial immunity for their actions
- * And no one demands the quid pro quo for this very obvious abuse of our human rights - to have our property appropriated by others against our will contrary to UN Declaration of Human Rights 17 - which is accountability for the privilege granted by society

Responsibility - 1

- * Corporate responsibility is about managing a company taking into consideration the asymmetries of power between the parties who contract with it
- * What are those asymmetries?
 - * Of command of resources
 - * Of the cost of capital
 - * Of status, and so of
 - * Political power
 - * Influence
- * Of information over an enormous range of issues
 - * What the organisations does
 - * About its products
 - * Who it engages
 - * What it pays
 - * Its lobbying
 - * Its taxes
 - * Its own ability to survive

Responsibility - 2

- * The current system exaggerates these asymmetries
- * Limited liability is the best example of this
- * Limited accounting disclosure helps

- * So do trade union laws
- * And limited requirements on product disclosure
- * The absence of compulsory environmental disclosure
- * No country-by-country reporting for tax
- * And tax havens help

So what is responsibility?

- * It is managing the enormous, unanticipated and unearned benefit limited liability has provided in a way that benefits all in society, who are the people who have granted that privilege

Can there be a good business that exercises corporate responsibility?

- * Yes
- * But, only if it has all its cards face-up on the table all the time
- * Accounting is nowhere near this standard at present
- * This is why I have established the Corporate Accountability Network
- * Working to integrate corporate responsibility into the mainstream of accounting by bringing it back from being the externality it's become