Global economy and transnational corporations

Literature, Russian Literature

Global Economy and Transnational Corporations

Robert Reich (2010) argues that the wealth of nation will be defined by the human capital in that nation as opposed to private capital (such as multinational firms). This theory is accurate in that a nation can have a very huge capital and still not benefit because most of the benefits of these big firms go to their home countries. However, he also refuses to address the fact that this private capital also helps the local economy to achieve some economic benefit such as improving infrastructure and also improving education. If Reich's theory is valid, then the role of the government is crating competitiveness for the nation is by being he custodians of the economy as opposed to being just regulators. In this case, the government must seek to develop the national capital through promoting education and through policies.

Peter Dicken (2010) however seems to disagree with Reich's look of the global economy and argues that the global economy can be measured by the way the multinational or transnational firms are operating. He argues that TNC (Transnational Corporations) are the barometers for global economy. The dilemmas with this theory is that it does not take into attention some factors such as these multinationals do not necessarily pledge their economic allegiance to the nations where they are, but only consider where their best interest is safeguarded. However, it is important in that the presence of a multinational in a country may be an indication of an economy that is doing well. A good example can be seen in China and India which are doing very well economically after so many western multinationals moved their business to these nations. If this theory is valid, then it means that the role of the government is regulatory as opposed to being the custodians of the economy.

Alfred Chandler (1977) seems to be in congruence with Peter Dicken. This is because he argues that the world economy is affected by the hierarchy of management in private businesses. This is also contrary to what Robert Reich postured with regard to wealth of nations, or work of nations. According to Alfred Chandler, the middle management has converted Adam Smith’s invisible hand into a visible hand and now the wealth of nations is not created from the invisible hands that amounts from everyone in the economy working together, but that the middle management in firms are the ones who drive the wealth of nations. The advantage with this theory is that it may not explain some situations such as in developing nations where the economy and industries are not as structured as in the developed nations. However, the positive side of this theory is that it seems to be confirmed by the reality on the ground. For instance, in nations where the economies and industrialization has matured, the nations seem to do better than in those nations which are have underdeveloped economies. In this theory, the government has little to contribute to national competitiveness. However, if the government’s role as the economy regulator is considered, its role will be to regulate the economy to prevent industries from misbehaving.

Bibliography

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