

Report

Literature, Russian Literature



Government versus the Private Sector" By April 19, April 19, " Government versus the Private Sector "

The debate for publically owned economic setup versus privately owned environment has been prevailing for centuries. The involvement of the government, federal or local in the private setup as a rule setter or direct market participant offers opportunities that are dubious in the eyes of many. The proponents of the government's involvement in the private sector believe that a more regimented and disciplined body can make the private sector work more efficiently and effectively. The government is the lender of the last resort and the supreme guarantee in the country so it can better manage the corporation as compared to the corporate heads of private organizations. However the corporate analysis of the private sector argues that the private companies know their niche and can work in creative ways to enhance profitability and generate economic growth. According to them the government should concentrate on the matters at the national level and emancipate the private sector to function effectively in the market. The extent to which the government should be involved in the private sector can be validated through the following examples.

Lets take the example of manufacturing vehicles say for example cars. The company General Motors that is the leading carmaker of the world was forced to declare bankruptcy in 2009. After filing for bankruptcy the company reemerged in the market with most of the control taken over by the government. The Obama government took charged but ignored many aspects with their straightforward approach. There was no discussion of the research and development expenditure on the changing future demands of

for example electric cars, light rails or products for a more energy efficient future. The employees were also not given the desired emancipation and rights to work in the company and the entire environment turned into a regimented setup.

Other examples can be the takeover by the government of Citigroup and other such organizations at times when these firms were in financial distress.

‘ When the government took an ownership stake in Citigroup, AIG, Fannie Mae and Freddie Mac in the midst of the financial crisis, it also took a severely limited view of its role—imposing few obligations in exchange for the bailouts.’ (Weissman) These examples all point towards the fact that the government involvement is too hierarchical and direct and this mars the creativity of the firms. However, one cannot underestimate the help offered by the government in order to stabilize the organizations in financial jeopardy. But if they were held for longer periods of time as public organizations then this would harm their future productivity and innovation. As the changing demographic and societal norms all call for better and more efficient products, the firms need to work on their innovative techniques to build a better chance of profitability for their books. This will result in a more long-term perspective of better economic growth for US as a whole.

Thus government intervention is appreciated towards a certain extend and longer involvement and encroachment by government in the private sector can be detrimental for the health of the private sector and the economy as a whole.

Work Cited

Weissman, R. The Government Nudge: A Public Role In The Private Sector.
The Nation 2011: 1. Web. 18 Apr. 2014.