

## Theoretical Perspectives on the Transnational Corporation

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*As the Indian Government battles a difficult fisc, it is trying to increasingly withdraw from active economic participation, in order to don the mantle of facilitator and regulator. In this liberalized environment, focus is on the ability of the private sector and by corollary, on that of the Transnational Corporation (TNC), to help in achieving India's developmental objectives. Keeping in mind both India's commitments to the WTO and the competitive readiness of its economic dispensation, a coherent policy framework for India will have to address the following issues: ( i ) the acceptance of a broad political consensus on the role of the private sector in general, and that of the TNC in particular; ( ii ) a focused direction to TNC activity for optimizing economy wide benefits; (iii) built-in institutional mechanisms to minimise drawbacks of private sector and of TNC functioning; ( iv ) active role of the Government as policy maker, regulator and facilitator of the growth process. In this context it is vital, therefore, to understand the organizational form of the firm and in an international context, its functioning in a host country environment.*

*In the first section, the paper details the theoretical rationale that underlies the structural form of the private firm and the dynamics that decide the scope of its activities within and without national boundaries. Theory has examined the ability of the firm to face limitations of the market economy, to deal with problems of uncertainty, the question of trust and market reputation, the resolution of conflicts arising out of ownership of skills and resources and of differing bargaining strengths thereby implied, as also questions of information management and skill development. The firm emerges as an organizational structure which, while aiming to overcome the limitations of a free market, tries to build relatively stable and efficient relationships within and without itself. The more effectively the firm is able to internalize benefits, the greater are the prospects of growth in its size, in and across national boundaries.*

*The paper further examines differing perspectives for viewing TNC activity in host countries. These hinge basically on the way the state is seen—either as a benevolent entity (the Neoclassical view) or as a predator (the Marxist doctrine ). The former accepts the TNC as an efficient allocator of world resources, promoting technology and skill transfer to the developing world. The Marxists see in transnational activity, the logical end of the capitalist process of accumulation. They deny the corporation's role in technology transfer and denigrate its treatment of host country labour. Liberals, therefore, advocate a sound macro-economic environment to curb TNC malpractices in host countries, the Marxists call for an end of the capitalist system itself.*

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