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Wealth of Nations and Intellectual Capitals: Adam Smith Approach

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Adam Smith has two principles: laissez faire and absolute advantage theory. This study has 3rd dimension for wealth of nations. It is intellectual capital. Because intellectual capitals increase GDP of nations, and create wealth for nations. ICs have accumulated knowledge, and ICs make innovations for company via this knowledge. For example, American economy has full of ICs, corporate CEOs. CEOs make country rich. CEOs are intellectual capital. For example, Steve Jobs created smart phone, and Apple becomes no.1 in markets. Therefore, ICs (corporate CEOs) make a country richer. Intellectual capital is related with human resource management. Therefore, a country make investment to human resource management to create wealth of nations and intellectual capitals.

Keywords: Intellectual capital, wealth of nations, Adam Smith

Introduction

Adam Smith has invisible hands view. It is laissez faire. Adam Smith also has liberal economy view. Thirdly, it has absolute advantage theory view in international marketing. This study discusses comparative advantage theory of Ricardo for international marketing. For example, Cyprus has comparative advantage in grape business against Turkey, while Turkey has comparative advantage in iron industry. Smith discusses those notions as wealth of nations. Further, this study discusses intellectual capitals as wealth of nations.

In international marketing, second important thing is customer value. If firm aims to attract customers, it must have customer value. First important thing is comparative advantage theory. There are central economy and environment economies in global economy. Central economies are, for example, USA-NAFTA, Germany-EU, and China-Asian economies. In exporting, central economy buys and sells every kind of products; however, environment economies apply comparative advantage theory. For example, Vietnam meets fishery needs of Asian economy. Finally, there might be two policies of international marketing and economy: comparative advantage theory and customer value perspectives.

Intellectual Capital

This paper argues intellectual capital as wealth of nations. It may be considered as a new approach in wealth of nations. Adam Smith has two principles: absolute advantage and laissez faire. Absolute advantage describes competitive advantage of nation. For example, Portugal has absolute advantage in wine business.

Smith discusses both variables as wealth of nations. This study adds third dimension to wealth of nation: It is intellectual capital. An intellectual capital has knowledge. It makes innovations in company by technical

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knowledge. In Industry 5.0, to become competitive, firms are to possess intellectual capitals and innovations. Industry 5.0 is described with technology development and an intellectual capital may develop new technologies through their company innovations. Moreover, human resource management field gains priority in Industry 5.0, because HR differentiates firm's products; because HR is core competence of firms. In Industry 4.0 each economy or each firm produces similar products that make competition severe. That policy is called as isomorphism. Because as a technology and capital, economies are closer to each ether. Thus, firms are to differentiate their products in Industry 5.0 to become competitive. For example, VW are to develop new engines that run with air and water or soil. This is differentiation policy. Toyota focuses on developing small, less consumption, hybrid autos.

Michael Porter (Harvard, 2011) discusses competitive advantage of a nation in Diamond Model. An intellectual capital, such as Muhtar Kent, may be competitive advantage of nation or Steve Jobs, Jack Welch, Lee Iacocha, Bill Gates become intellectual capital of nations, because their firms gain competitive advantage in markets. Thus, intellectual capital becomes wealth of nations through firm performance and GDPs and intellectual capitals are human resources.

Adam Smith and Principles

David Ricardo furthered absolute advantage with comparative advantage theory. For example, England has comparative advantage against Portugal via iron industry.

Adam Smith possesses three principles: laissez faire, liberal economy, invisible hands, and absolute advantage theory. Smith obtained laissez faire from France. In addition, America uses liberal economy principles. Chandler says that corporate managers are visible hands of markets (Livvarçin, Kurt, 2017) Managers manage the markets in USA.

Research

Lee Iacocha and Steve Jobs are intellectual capitals of their firms. Iacocha and Jobs carried their firms No. 1 in markets.

Human Resource Management and Economy

Connection between HRM and economy appears on talent management. In this case, talents are managers of company.

Assumption is that firms generate GDPs in macro economy and managers manage the corporate including CEO, CFO, CMO, CKO, others. In USA, there is "oligarşi tunç law". Few people manage the corporate, and make decisions. Therefore, economy-HR relationship is key to organizational success. According to oligarch tounche, 4-5 people manage the country and company in board of directors.

There are several business functions in firm management: marketing, production, finance, logistics, accounting, etc. Each function has manager and departments, production manager, marketing manager, accounting manager, finance manager, and so on. HR appoints talents to those positions, i.e., HR determines who becomes marketing, production, finance manager. Secondly, HR recruits talents for managerial positions in staffing process.

GDP is defines as sum of production and sales of firms and managers manage the company and HR recruits and appoints those managers. Therefore, HRM and economy link appears on talent management and

GDP variables.

For example, it is slogan that, good for GM is good for America. GM produces part of USA's GDP. And corporate managers manage the company and HRM appoints, finds, and recruits managers (talents) for company.

There are two contributions of intellectual capital in this study: An intellectual capital might be considered as competitive advantage of nation, and wealth of nations, because intellectual capital improves GDPs of nations through firms' market success. For example, Steve Jobs improved Apple's earnings through iPad, iPhone inventions. Apple Company becomes No. 1 in market via these innovations. In addition, Lee Iacocha as a CEO saved Chrysler from bankruptcy in early 1980s, because firms create GDPs in economy, and intellectual capitals contribute the firm's success. Intellectual capitals are bright and brilliant personnel of organization, and it contributes to firm performance positively. HRM field is related with economy discipline via GDP production. Firms affect nation's GDP via production and intellectual capitals.

Intellectual capitals make innovations in their company. ICs are bright and brilliant people of their company. ICs have accumulated knowledge that is used in innovation.

New Silk Road is establishing by China. It already reached Pakistan. Silk Road existed in 15th century with mercantilism and trade. Main road is Bahgdat. New Silk Road again would reach to European market from Middle East to Europe. How firms may compete on this severe competition by China? Intellectual capital might be answer, because ICs are competitive, innovative and differentiate its company.

In New Silk Road era, there is Industry 5.0; Industry 4.0 is related to digitalization. Industry 5.0 is related with technology and intellectual capitals of nations. In Industry 5.0, there is Silk Road trade again. For competition, intellectual capitals and technology development are key competitive tools.

Intellectual Capitals and Industry 5.0

There are four industrial revolutions at this moment: industry 1.0, 2.0., 3.0, and 4.0. Global economy experiences industry 4.0 started in 1990s. Industry 1.0 belongs to England in 19th century; industry 2.0 and 3.0 belong to USA economy through 20th century; industry 4.0 stared with globalism and Washington Consensus in 1990s. There are isomorphism threats in industry 4.0. Each economy produces similar products and customers have customer choice dilemma and there exists severe competition. Industry 4.0 is ending today; and industry 5.0 would start.

China becomes global and technology leaders of industry 5.0. New silkroad and Chiense monetarism would be exist through industry 5.0.

This study explores industry 5.0 with human resource management perspective? What would HRM make for competition? HRM is core competence of firm, and HR is intellectual capital. These two prominent factors of HRM that make a company competitive. Thirdly, HR may pursue differentiaiton strategy in firms (Porter, 1990).

To conclude, core of all industry 1, 2, 3, and 4.0 is technology, technology development. However, each industry revolution has its own specific products. such as computers for industry 3.0, automobile or electric for industry 2.0. In industry 4.0 every economy produces same products. Because each possess technology and capital. What would be the new technology and products of industry 5.0? How does HR reacts in industry 5.0? Because HR may produces new technology in industry 5.0 with intellectual capital and core competence dimensions.

Products of industry 5.0 are robots, biotechnology, nanotechnology, kinetics and jeoengineering. An intellectual capital might develop these products in organization's R&D, such as bioengineering. Kinetics is drone, klonning, etc. Therefore, human resource management is to encourage intellectual capitals for organizations as talent management. Because talent are intellectual capital of firm. There might be two policies for HRM in industry 5.0. Policies are talent and intellectual capital policies.

Conclusion

Intellectual capital represents two properties: innovation and star employee. Intellectual capital has innovation capability in firms, and ICs are star employees of their company. Steve Jobs is leader of iPhone inventions, Bill Gates and Marc Zuckerberg are founders of Microsoft and Facebook, and Lee Iacocha developed firm performance in Chrysler in 1980s. In intellectual capital approach, government support is important, because USA government strictly supports new entrepreneurs such as in Google, Facebook. This study explores intellectual capital variable for firm performance as it considered as a wealth of nation in this study.

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