

What if large businesses are really macroeconomic entit...

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I recently suggested to colleagues that I thought that we were looking at accounting in the wrong way. We were still seeing large companies (now commonly called PIEs, which stands for public interest entity) as if they were microeconomic entities.

But what if they were not? What if they were macroeconomic entities? Then what?

The evidence supports this suggestion. Many multinational corporations are much larger than many countries.

By definition a PIE has a macroeconomic impact.

And if that is true the whole 'theory of the firm' view of the entity is wrong when applied to it. What the entity actually is, in that case, is a power bloc to rival government, and in the case of the big tech companies and others we do, of course, see that to be the case.

So why are we holding them to account as if they are still just companies? They aren't. The shareholders (one or two founders apart) have very little control in most cases (and I will note the exception of Exxon in another blog). Those shareholders have no meaningful ownership stake in the firm: they simply own a right to an income stream the company might pay. And the obligation to stakeholders is, in most cases, greater.

So why not treat them for what they are? And why not regulate them as macroeconomic entities, accountable to all, and not just a few shareholders whose identity is, in any case, unknown because of the way in which modern shareholding is registered?

Thoughts are welcome.