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A sustainable and resilient socio-economic paradigm through corporate governance intervention

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Abstract. *The current predicament confronting global society is that wealth was amassed through market-based capitalism, despite the fact that the market system generates insecurity and inequality among social classes. As a result of the shifted social pressure on the political class, the latter is obligated to implement "change for a better future"; in order to restart the capitalist system and put it back on the proper track, the public and private sectors must collaborate on development politics and strategies.*
This scholarly article identifies the underlying causes of fundamental challenges – social inequality and unsustainable economic growth and development – as well as viable remedies – including the integration of proactive governance systems and the application of corporate business principles to address social issues via the formation of public-private partnerships in emerging economies.

Keywords: economic growth, corporate governance, sustainability, resilience.

JEL Classification: F02, G39.

1. Introduction

Recent years have witnessed an emphasis on economic development via neoliberalism as the way forward. Individuals exist solely to generate prosperity and improve the quality of life for future generations (Georgescu, 2023).

Capitalism can be subject to scrutiny by highlighting social inequality in the remuneration gap between newly hired employees and the CEO of a company. This gap, which is an average of 800 times greater, represents an unethical situation and accentuates social disparities. Furthermore, the re-distribution of income is inefficient; rather than being used for investment and the creation of better social conditions, it merely reinforces these issues.

By constructing a network economy model under the influence of globalization, all problems associated with capitalism are accepted; consequently, in order to maintain its long-term focus, the capitalist system requires reform, beginning with the healthcare, educational, pension, and social insurance systems (especially when viewed from a global perspective). From here, we must initiate a partnership between the public and private sectors (execution availability).

There exists a direct correlation between social integration and national prosperity, and both are impacted by investments that fail to materialize in impoverished regions. Consequently, social inequality tends to exacerbate the disparities between developed and emerging economies (Bran et al., 2014). The economic-social feedback generated by the decline in investments and the escalation of violence contributes to the escalating social impact of underdevelopment and inadequate foreign investment.

Presently, there is a worldwide inclination towards establishing a corporate and social capitalist framework (integrated corporate governance state model) utilizing small-scale solutions modified for national, regional, union, and international execution. These solutions are implemented through the ministries that form the government, while the adopted economic policies serve as their implementation channels. In this circumstance, the implementation timeframe must be deliberated. The concept of economic vision as perceived by the public sector in developed nations has a brief cycle life expectancy, after which it is modified to serve the interests of the private sector and has an even shorter life expectancy (particularly with regard to speculative investment). The identical approach was adopted in developing nations, particularly with regard to the notion of a short-term horizon; this is where the dilemma of leadership by example arises, as it ought to have been addressed by developed countries. Presently, the capitalist system is undergoing profound transformations; this paper provides an overview of a model of corporate governance that simultaneously reduces social inequality in developing nations while fostering sustainable economic growth.

2. The level of "healthy" and sustainable economic development

In order to comprehend the current state of knowledge in this field, it is fundamental to commence by considering Joseph Schumpeter's theory regarding the sustainability of capitalism. Schumpeter (2011) proposes contrasting private and social management, highlighting the fundamental distinction between the two is the pursuit of profits as opposed to social welfare. The sustainable development of an emerging economy can be conceptualized within the framework of a corporate model, which incorporates Schumpeter's notion of an underlined benefit. By reducing the need for government intervention in the economy and ensuring that the private sector maintains the link between market demands and a linear cyclical demand, a corporate model safeguards a nation, region, or state union. This is achieved by ensuring that the likelihood of technological advancements increases. We should consider the social welfare of the entire nation as an afterthought, including the welfare of corporations in the grand scheme of things, but only to the extent that it does not reduce total social welfare.

Links are established between the state and corporations. The establishment of connections that define their capitalist framework and lead to expanding economic performance must be preserved at a sustainable level so as not to overheat the economy. An additional concept proposed by Schumpeter is examined in this article: the notion of "healthy" economic growth, which he defined as 2% annually from 1890 to 1940 (including the unsustainable growth of 3.8% annually prior to the crisis, which occurred from 1890 to 1929) (Schumpeter, 2011). In this manner, the correlation between corporate governance and government action resembles that of business management and urban management. The objective is to appeal to investors, stakeholders, and the city/corporation by providing them with a competitive edge over other regions possessing comparable qualities, while maintaining a rational economic approach to sustain a competitive environment at the local governing body and an effective rapport with the town's residents, and to uphold an organizational culture that aligns with its employees and initial business goals. In this way, this paper serves a purpose.

3. Methods for establishing economic stability via a corporate model

The feasibility of capitalism is contingent upon democracy; therefore, the theory of the ideal functioning of political democracy must be presented (Becker, 2003). This theory emphasizes the analogy between an ideal democracy and the free enterprise system in a particular market, placing particular emphasis on the ideological convergence that exists between capitalism and democracy. This perspective is built upon the notion of efficiency in "ensuring functionality" (corporate governance) of an economic sector at a level beyond that which a political party or the state can achieve through doctrinal stance. Rather than selecting the entire economy, a specific sector is chosen due to the analogy between the approach to competition in a democracy and the relationships between sectors and an economy, or a corporation and its divisions (Bran et al., 2014). This division of labour enables a more efficient means of obtaining results through specialized governance, which is carried out by department managers, division directors, and other personnel from the corporation, as well as by individuals or work groups from outside the sector.

Corporate governance models have consistently proven to be effective in achieving sustainable economic development and providing frameworks for addressing issues related to state governance. This is due to the fact that these models are constructed using the same fundamental components that guide the evolution of corporations and states. Comparatively, the C-suite from the framework of a corporation differs from the ministries of a developing country, which correspond to the departments comprising the middle and upper management of the corporation (Bodislav, 2011). To these, we add the executive execution entities, the prime minister's office, and the presidential administration. Controlling the efficiency with which ministries, government agencies, and all legal and executive entities establish their legal frameworks (regulations and laws) can be accomplished through control bodies (supervised by the president's control body for departments, agencies, ministries, etc.); the corporate equivalent consists of the internal audit and business law divisions for the internal component and the audit committee for the external component.

Innovation plays a fundamental role in sustaining economic vitality, fostering expansion, establishing healthcare systems, instilling purpose in employees, revitalizing organizations, and extending the lifespan of consumers through the introduction of ground-breaking products and services (Branson, et al., 2010).

The reverse engineering element is accomplished by employing business innovation and development models, as well as incorporating the resulting deliverables into the country's progress. This process generates long-term innovation and value addition, akin to the progression of a corporation from its inception to its current state (Bodislav, 2013).

4. Creating the solution’s roadmap for “one size fits all” type

The practicalities of economic existence demonstrate that syncope is conceivable, as evidenced by varying perspectives, opinions, objectives, state or corporate orientation as an entity, or orientation toward a human element (since individuals establish the state or corporation, self-interest and welfare take precedence) (Lynch, 2005). Additionally, an all-encompassing and intensive development model for sustainable economic growth for the state or corporation is accessible worldwide. When examined from a macroeconomic standpoint, this flow may result in market inefficiency. However, when broken down into individual corporate operations, it leads to the following conclusion: the inefficiency in managing and governing available assets, human capital, external credit, and the cost of debt and equity for multinational corporations. Furthermore, it exposes states to sovereign risk within the confines of economic efficiency. In this way, the governance process resembles a goal-oriented procedure.

Research indicates that the American economy was established and subsequently guided the rational development of other markets by means of corporate governance. The primary distinction between the validated model of the American market and that of other developed countries is the presence of an additional hierarchical and balancing model, which governs the distribution of profits and debts over extended periods of time. Unutilized profits and the necessity for long-term corporate governance are elements of this model. These disparities are exacerbated in the context of emerging economies versus developing nations.

Although the emotional force is what unites and divides states and corporations, the "element" responsible for the Singularity phenomenon is state or corporate identity. The maintenance of an identity, whether at the state or corporate level, is predicated on the interdependence of two fundamental human needs: the desire for distinction or individuality and the need for group membership (Dinu, 2010). Managing the aforementioned five types of market models may be regarded as onerous due to the fact that they symbolize technological, cultural, and physical distinctions that divide groups (unions or joint ventures). Furthermore, these distinctions are re-established within the definition of a rational being. The Identity demonstrates who we are rather than what we do.

5. Conclusion

By acknowledging the issue at hand and endeavouring to implement the framework developed and shaped in this scholarly article while observing the syncope that is emphasized, we can scrutinize the economic interdependences and challenges that manifest in developing nations and state unions, as underscored by the practical economic environment. This will ultimately prompt a re-evaluation of the implementation model for economic solutions, particularly in the realms of governance and deployment, as well as the intra-corporate approach to economics.

The primary objective of this research paper is to demonstrate that within the current economic landscape, it is imperative to identify and delineate fundamental issues (in order to devise a solution, it is necessary to formulate the problem hypothesis). In order to devise a remedy, it is necessary to develop a proactive guidance program in the form of a model or algorithm that can surmount the current crisis and pre-empt future crises. Such crises may stem from deficiencies or inefficiencies in the supply of basic foodstuffs, and they are inevitable due to the necessity to collaborate.

The intensity and duration of the current economic crisis likely would not have reached their pinnacle if we had not been situated on a descendant trend of the global economic engine, the United States of America, which contributed to the inefficiency trend of the global economy due to the network economy effect. This trend movement may be regarded as the conclusion of a Kondratiev cycle, but its significance is emphasized by the intersection of numerous types of economic cyclicity and the financial crisis.

Global economic development will evolve into a new type of capitalism known as "common sense" capitalism, which is a hybrid form of capitalism that incorporates the state, the corporation, and the "*no man left behind*" principle (Bodislav, 2016). This transformation can be achieved through the implementation of the proposed public-private partnership solution to the global economic problem.

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