

# **The Future of Economic Policy Making: A Functional and Social Exploratory Perspective**

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**Abstract:** The main goal of this paper is to highlight the exploration of a corporate path for obtaining sustainable economic growth through the private – public partnership principle. The basic hypothesis offers the idea of an integrated proactive governance system created to succeed by combining in emergent countries the synergic relation between government action and corporate governance. The niche objective of this research is using a governance algorithm from a corporation scaled to the dimension of a nationwide economy to generate on the long term sustainable economic growth by creating, maintaining and developing intra-horizontal competitive advantage.

The sustainable evolution of an emergent economy could be framed in a corporate model, highlighting one of the ideas Joseph Schumpeter rounded in his academic research, the idea that a corporate model can better protect a nation, region or state union by decreasing the need of an intervention through government action and only by maintaining a connection between market' needs and the private sector, having as result a smoother demand cyclicity.

**Key words:** business intelligence, corporate governance, economic policy, exploratory research, macroeconomics

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## 1. Introduction

During the 1930s till the early 2010s policy making was done by “the book”, be it by following Keynes perspective on macroeconomics, be it by using monetary policy as basic economic policy development that was developed by Milton Friedman in the ‘70s just after the gold standard was underlined as being a thing of the past for all economic forces. Despite the third way seen by Fisher in the first part of the 20<sup>th</sup> century and which developed its model by allowing the standardization and control of the public debt and that was highlighted in 2011 by some early developers of new economic schools of thought, nothing was developed that could make us state that economic policy is on a path, not even a small and narrow one.

The authors of this paper tried to redevelop, to restate what are the values that need to be inserted in thinking forward for global well being and tried to explore the corporate path, the component that could be transferred from the private sector as corporate governance or private practice and scaled at country level or larger. Economic growth is needed these days because the global economy is stalling and no direction is seen on the horizon.

The main broad contributors to the idea of policy making at art level are just three: Irving Fisher (2011), John Maynard Keynes (2008) and Joseph Schumpeter (2011); we could say that Milton Friedman (2011) and Robert Solow (1970) could be seen as also great contributors to economic policy development, but they where niched and that made them somehow exotic to the general market of economic policy consumers and economic policy creators.

Between state and corporation there are relations that could be built on capitalist structure with noticeable results in increasing economic performance. The sustainability idea results from Schumpeter’s analysis (2011) on “*healthy*” economic growth of about 2% per year (according to the analysis done for the 1890 – 1940 timeframe, including also the unsustainable growth before the Great Depression, the yearly average for the 1890 – 1929 timeframe was of 3,8% economic growth). Practically, the relation between government action and corporate governance could be seen as the relation between urban management and business management, this way the research represents a reasoning vehicle for the economic environment of an emergent country by using an integrated corporate governance approach for solving the problem (Bran, et al., 2014).

For the complementary economic framework we could put the spotlights on the theory of a working political democracy in ideal conditions (Becker, 2003). This theory states that an ideal democracy is similar with the system of free enterprise in a given market, underlining here the ideological convergence between democracy and capitalism.

## 2. Exploratory modeling of a functional model for economic policy

The vantage point is strongly shaped by surfacing the idea of efficiency in *assuring functionality* (corporate governance) for an economic sector at a higher level than what could the state offer through governmental action by its doctrinal approach. The exemplification is done through a sector of the economy because according to the competitive approach in democracy we have similarities between an economy and its sectors and a corporation and its divisions, this shift in

output development is based on a specialized governance that is done inside corporations (division directors or department' managers) and by individuals or work groups inside economic sectors (ministries and state secretaries).

Corporate governance models were always efficient solutions in obtaining sustainable economic growth, and now they could be used for solving governmental issues because they have similar constituent elements in their development as states or companies.

The feasibility of this research is given by the challenges and dependencies created between emergent countries and state' unions filtered through the actual economic and social context (this is a crisis of ideas in finding solutions with their foundation on political, cultural, social, economic and innovational grounds). Although it was a subprime crisis and evolved into a deficit crisis, at the end of its maturity it transforms into a reverse credit crisis for economic solutions and the corporate approach could become the optimal model for sustainable economic growth.

The research done on this subject should use the path of qualitative modeling resulted from underlining the main problem, the need to create a new model for obtaining sustainable economic growth by using a corporate model scaled for country use. To develop the proposed hybrid master-model there is also needed a quantitative modeling approach to validate the research.

The first issue that should be solved is built as a starting point for the journey in economic pioneering to shape the new economy, starting from building a proper framework for corporate governance and the need to implement it at state level, and by shaping partnerships between the public and the private sector. The singularity effect versus the synergy effect are discussed at this point from the idea that development strategies can shape an open economy and *the economic environment* could be seen as an unitary global flow with geo-strategic-political specs.

This complex system is grounded on the need to shift the proposed solution (automated corporate governance that is perfectly molded for state development) and the way it can be implemented and developed. Furthermore, it is mandatory not to forget the elements created in the information era, especially the development of the transfer process and of the quantitative flow that is composed of available information. The basic hypothesis transfers corporate governance from the private sector to the public sector and has as main deployment area the emergent countries, like Romania, while the next stage of the process and also the third one shift the entire macro-environment from the corporate sector towards the public sector, the governmental area of the decision making economy and as a result we have a financial model that offers growths unseen at the GDP level and with no boundaries on implementing this solution as a new path of taking over the new economy.

To enter the matrix of today's level of knowledge in this domain we should see as a basic starting point Joseph Schumpeter's idea on the survival of capitalism by putting on the table private management versus social management and their defining differences: the followed purpose – profits versus social welfare (Schumpeter, 2011).

The sustainable evolution of an emergent economy can be framed into a corporate model, bringing here Schumpeter's idea of an underlined benefit: a corporate model gives better

protection to a nation, region or state union by lowering the necessity of an intervention in the economy through government action and only to maintain the connection between market needs from the private sector, receiving as a result linear cyclicity of the demand, this way the chances of technological under-utilization of production factors and its results in the economy decrease (Schumpeter, 2011). As a secondary result we should observe the social welfare of the entire nation, including in the big picture corporate welfare, but in the limits that do not harm total social welfare.

Validating the possibility for using a transparent financial model as a method to offer the corporate solution, which is used for succeeding in offering state of the art measures and at the same time in tune with the total optimization of an economic process. The best solution is to have total transparency on optimized business processes and to have the certainty that the financial stats are valid and filtered through the audit processes, which are implemented by the biggest players in the audit and consultancy sector. The sole sector that has all these elements fulfilled at its maximum potential is the stock market.

### **3. Modeling the unstable criticism and overviewing the “flat” perspective**

Critics to capitalism escalated in the last decade, but the approach that should be applied different, starting from the crisis accelerator, the financial system seen from above, from the broader perspective. The new paradigm and the high level of trust show an antithesis with the actual economic system that runs our daily lives. While time passes, things are getting worst, we do not have another J.M. Keynes to step into the role of father of the macroeconomics and create similar solutions to those used in the 1929 – 1933 timeframe. There are trillions of American dollars and euro spent on creating absolute equilibrium between Human and Nature, but the conditions offered by a functional and sustainable economy could not be shaped with a clear perspective on the long term.

Any economic system (be it micro, at the size of a corporation; be it macro, at the size of a state), forms groups (micro: joint-ventures; macro: state unions). These groups represent the complex work unit for the evolution towards economic advance from globalization’s perspective, but to ignite the cooperation and collaboration engine there is needed a spark for economic systems, especially from the idea to implement the corporate-state governance hybrid work model (Bodislav, 2013).

Any kind of limits could decrease the rate of economic growth, but those limits could be seen also as potential opportunities for continental entities or global trade unions. Thomas Friedman followed in his book *“The World is Flat”* (2005) to emphasize the globalization effect, leveling the *playground* on which competitors play in the global market. Technological innovation resulted in the private sector, but with the state’s support, revolutionized the work environment, bringing competitiveness’ power to emergent economies in which new players grow to surpass well-known players from developed countries. Paradoxically, while this is happening and positively influence the financial flow of businesses situated outside the country, relational limits – obstacles in human productivity, are at their peak because of the actual economic context (Branson et al., 2010).

From the human perspective of management inside transnational companies we have the inefficiency of a functional leadership because companies need to develop hierarchical or network relationships with partners (be them states or companies) from other countries. The leader's job (at least, in the private sector) is easier to execute through technological advance because it helps narrowing the *knowledge and distance* gaps, but these leaders are confronted with derived limitations; these limitations underline conflict, create boundaries for performance and a lower level for innovational flow according to the market's potential. It is clear the fact that a "flat world" demands adopting a new type of leadership and global power, all under a strategy that is bottom-up implemented.

#### 4. Conclusion

The model that could filter the development After filtering the results of the CorpoLand model and reviewing the Business Intelligence corporate solution shifted towards governments we could identify six types of limitations (Aldrich, Herker, 1977) that challenge leaders in our days, but also it draws the solutions that could be implemented for maximum efficiency (Ancona, Bresman, 2007). Through these six paths (Ernst, Chrobot-Mason, 2011) it is possible to transform barriers in opportunity frontiers for creating, testing and executing innovative solutions, and unleashing full potential for corporations/states to prosper in a flat world (Bodislav, 2013). To clearly draw which are the limitations that involve identity and relationship challenges, how we define ourselves and what groups characterize us and this way being associated with powerful emotions like loyalty, pride, respect and trust.

*Vertical limitations* are representative because they represent the ceiling and the floor that separate unions, countries or companies by classifying them and their awarded privileges. Common knowledge inside unions or organizations that are part of these limitations affects control, hierarchy and top-down/bottom-up implementations.

*Horizontal limitations* are found in functions that are executed by entities (be them corporations, states, joint-ventures or state' unions). These represent the walls that separate groups/unions from the detained competitive advantage' perspective. The intra-group or intra-union framework that shapes the horizontal limitations is founded on antithetical relations between its components.

Managing limitations of competitive unions is founded on the need for labor specialization, from the perspective of work integration. During a merger or an acquisition (*micro*) or entering an economic-political-military union (*macro*) a *common path* is a new challenge, but also leads to transforming ex competitors into collaborators, a challenge that needs technical and operational integration in the system.

*Limitations of direct participants in the economic game* represent the doors and windows of the ultra-entity (understood as joint venture or union). Direct participants in the economic act (at micro and macro level) are represented by those that pay taxes (be it a household or economic agent), by those that govern (and represent those that vote) and by those that are not part of the economic game in an active or positive manner (Ernst, Chrobot-Mason, 2011). Here we find the ultra-entity issue that shapes its position in the global economic mechanism of the direct

participant: the non-cooperation issue, the corporation centering and the feeling of alienation towards the main vision/goal of the company, similar to the center – periphery dilemma.

*Value chains* represent the mechanism for managing limitations from the ultra-entity towards the units that form it. The classic view states that each component of the value chain defines its own evolution processes in an independent way, without considering the relation between neighboring components and the whole mechanism.

*Demographical limitations* are resulted from traditional classifications of individuals that form the work force of a company, the work force of a country and the population of a country/union through gender, race, educational level or ideology. In academic language this wide ranged issue is seen as a “*glass ceiling*” followed by difference between generations, ideological fight and cultural differences. In the last five decades the demographical map of the work force transformed.

*Geographical limitations* are represented by the geographical location of the corporation or state. Shaping the limitations could be done through integrations like East/West, local/foreigner, locally/globally, headquarter/subsidiary, etc. In the past, companies and states were open for the internal market (micro) or towards the neighboring external markets. Today’s markets are globally spread, for example: an European company that produces sports equipment, Adidas, can buy its materials in China, develop its clothing lines in Europe and the US, manufacture them in Pakistan and sell them in stores globally spread. The decomposition of geographic limitations creates the opposite of outsourcing and scale economies on distribution and sale components, and also allows entering new markets and obtaining new sources for capital. Developing processes that geo-integrate and what should be shaped according to each local market is a continuous challenge.

To sum up this research we could state that this is a small step towards shaping the big picture on developing the macro-global system for network governance based on Business Intelligence implementation, by using the know how transfer rounded up in this research article, from the private sector – corporate governance towards the public sector – state governance, and drawing a *limitless* economic model that offers some thorough thinking area, which could be used as paths for developing and implementing the newly created paradigm of the *multi-complex economy* that is also a preview of the near future implementation of automated Business Intelligence processes into the path followed for developing the 21<sup>st</sup> century economic policies.

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