Capitalism and Governance – a Macroeconomic Overview of "Everyone's Interest"

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Abstract. *The macroeconomic mode of economic growth, the backward-pyramidal evolution from the capitalist structure, the emergence of the free enterprise, and the corporate form of business organizations in our system of free markets are all examined in this research.*

This study aims to provide insight into the particularities of the many aspects of the governance process. This study focuses on privately held businesses that are publicly held by shareholders or social part owners. It also examines the state-corporate relationship and its effects on geo-social, political, and economic spheres.

Keywords: capitalism, governance, multi-level, corporations.

Introduction

It is thought that the emergence of an economic system that primarily supports capitalism, free enterprise, and competition is what gave rise to this prosperity both before and after the crisis. The *"energy"* created by competition is brought to the economic systems of industrialized nations by free entrepreneurship; the more unrestricted the creative minds of many people are allowed to pursue their own goals, the better. First, Adam Smith observed in 1776 that when everyone of us strives to maximize our own interests, *"an invisible, self-interested hand"* moves to create an environment for *"everyone's interest"* (Smith, 1994). The first step in the incredible journey of economic growth was acknowledging that each of us can only produce and serve the ultimate good by maximizing our own self-interest. Even after 247 years after it was first proposed, the concept is still revolutionary and perhaps paradoxical in certain ways.

The idea of the invisible hand's efficacy gave rise to a related theory, according to which people who follow their own interests will eventually cause those interests to collide and competition to naturally occur. As is customary in the business world, competition keeps the supply chain for labor, clients, raw materials, and investment capital strong. The most exciting part of the free business system and competition is really the competitive atmosphere that leads to the

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"survival of the fittest", which develops the concept that, eventually, some people can be fearful of the weak halting evolution. The emergence of modern capitalism, which allows investors to pool their capital to generate the substantial sums of money required to fund ambitious projects and huge businesses, is the third facet of our economic system. It is a well-known fact that the more room corporate entities must explore for bigger profits, the more power they have to attract individual and institutional investors who have the cash to contribute (Bodislav, 2011). Therefore, entrepreneurship, competition, and capitalism will be the three turning points of the global economic system.

As the economy grew, businesses of previously unheard-of scale and complexity flourished. How can this firm be led in the best interest of the shareholders? was the obvious issue. Our starting point was the idea that corporate governance, as it is now understood and applied, has a significant impact on both the macro-level (political, social, and economic) and the micro-level (individual and entrepreneurial). The foundation for interhuman connections would be in disarray in the absence of an efficient governing structure. It is governance that brings order out of chaos. Since interpersonal conflict is a natural part of the human condition, communities where these people reside must have laws and regulations governing how they interact with one another. Divergent personalities and worldviews, along with the inevitable rivalry for scarce resources, are major contributing factors to these conflicts. Some of them have complex moral problems because they are founded in basic human needs, such as a lack of respect and concern for the lives and property of others.

The moral dilemma reveals the good and bad aspects of human nature. The advancement of the arts and sciences, as well as deeds of integrity, honor, and responsibility, are examples of the good that may be found in love and altruism, bravery, and brilliance. Acts of hate, greed, oppression, tyranny, cowardice, and dishonesty are examples of evil. The fundamental element of human drama since the beginning of time has been these types of conflicts between the forces of good and evil. The struggle occurs within every aware person as well as between people and interest groups. These conflicts are seen in the deployment process, in various types of government that are evident across the Earth, and typically in the corporate setting.

Literature review on governance

When tools were developed in the past, the arduous work of sustenance was progressively changed, marking the birth of technology (Burlacu et al., 2020). The invention of new energy sources, such as the steam engine, electricity, and internal combustion engine, led to the appearance of devices that significantly increased production (Pauna et al., 2022). Since the creation of the transistor, technological advancement has surged in every field during the past seventy years. The advent of digital technology brought about a revolution in several industries such as electronics, communications, transportation, medical, and manufacturing (Calin et al., 2022). This was accompanied by a rapid increase in the capacity to collect and distribute information (Burlacu, 2021). The advancement of universal education has been a vital link for these revolutionary forces (Burlacu et al., 2021). The dynamic print, which Gutenberg created in 1438, and the development of printing, which was aided by the expansion of literature, laid the groundwork for an educated populace, were the innovations that made education accessible to a wider audience. *“We learn to read so we can read to learn”* is an old phrase that illustrates how this breakthrough has affected society.

Just as literature advanced education, which in turn led to the emergence of technology, so too did corporate leadership evolve in tandem. People have lived in communities from the dawn of time; they include the hunter-gatherer, fisherman, and agricultural societies, as well as the industrial civilization of today. Humanity looked beyond itself to find the best methods for managing conflicts, reining in harmful conduct, and achieving objectives that would improve the welfare of all members of the community (Balu et al., 2019). The determination of a certain governance approach's efficacy was based on the society's desire for survival and prosperity (Burlacu, Curea et al., 2019). The individual groups were initially small, straightforward, and centered in one area. They have an easy-to-use governance system. These groups have grown into enormous, intricate organizations throughout time. Nation states have developed from tribal and feudal fiefs. Mega-corporations have developed from little, local properties (Bodislav, 2011). The decision-making process has evolved to take into account progressively more complicated governmental issues (Rădulescu et al., 2019).

The social revolutions of the 18^{th} and 19^{th} centuries, particularly the American and French revolutions, and the era of enlightenment that followed them, were among the most important developments in this transition from simplicity to complexity in administration. First and foremost, during those eras when society was evolving, these become increasingly stratified, with tiny, governing classes amassing riches produced by the subjugated people. Rich nations gained power by forcefully annexing weaker nations, particularly those with abundant natural resources. For centuries, a small number of people governed the whole population by imposing their viewpoint on them (Georgescu, 2023). The powerful ruled until an internal uprising or an outside defeat drove them out. Even if the fundamentals of society were altered, it was just a matter of monarchy giving way to dictatorship and vice versa. While there were occasionally competent and voluntary improvements that benefitted entire nations, the majority of the time there was a great deal of ineptitude, corruption, tyranny, and revolt.

It was not the development of legal concepts that led to the inventive governance system; rather, it was the behavior of individuals (Profiroiu et al., 2019) When people came into power, they enforced forced oppression, which sparked uprisings. The need for both individual freedom and a moral code dictating appropriate interpersonal behavior gave rise to social upheavals. The contemporary idea of democracy – a government by, for, and by the people – arose from these revolutions. It is best represented by the US Constitution and made explicit by Abraham Lincoln's Gettysburg Address.

After more than two centuries, the American experience with government was a risky experiment – the first of its kind – with a significant impact on current governance practices. It is not necessary for success. Then, at the same time as the United States, South America was forming in several separate states. Up until now, South America has struggled mightily to develop a democratic or stable government. The 20th century saw the establishment and collapse of totalitarian governments in Germany, Japan, and Russia, causing much hardship for the countries in their vicinity. Following World War II, colonial imperialism in Africa came to an end, but not before causing ongoing political unrest and bloodshed in other areas of the world. Up to this point, all attempts at self-governance across the world have failed. We may claim that stable, democratic administrations are now synonymous with peace and prosperity. Through one form or another, totalitarian nations fail to accomplish any of the previously listed objectives.

In nation-states, effective governance determines a society's level of prosperity, however effective governance cannot be taken for granted because of the adage *"Believe and do not"*. It is quite unlikely for any community to achieve stability and long-term success in the absence of political and economic structures.

Capitalism and governance – a methodological approach

The pursuit of profit, market-driven resource allocation, and private ownership of the means of production are the hallmarks of capitalism as an economic system. This system has greatly influenced the state of the world economy and served as the foundation of many contemporary economies. Simultaneously, governance – which is characterized as the framework of laws and organizations that direct social relations – is essential to forming and maintaining the characteristics of capitalism. The relationship between capitalism and governance is examined in this section, along with its salient characteristics, historical background, and effects on macroeconomic metrics.

Understanding capitalism requires an understanding of its core principles. Its distinguishing characteristics include profit maximization, open markets, competition, and private property rights. According to Adam Smith, the forces of supply and demand effectively direct resource allocation through the *"invisible hand"* of the market. Entrepreneurs stimulate economic growth and innovation because they are motivated by the possibility of profit. However, governance becomes essential to the efficient operation of capitalism.

Capitalism functions within the framework of governance. It includes institutions that maintain fair play and guard against market failures as well as legislative frameworks and regulatory agencies (Bodislav, 2015). To protect property rights, preserve market competitiveness, and take care of externalities that the market could overlook, government involvement is necessary. In a capitalist society, finding the ideal balance between the requirements of necessary laws and the ideals of free markets becomes essential to efficient government.

The evolution of capitalism and its historical context illuminates its dynamic nature. Capitalism has evolved to meet new conditions from the industrial revolution to the current digital era. In a similar vein, governance frameworks have changed to meet evolving complexity and problems. Early capitalism's laissez-faire philosophy gave way to controlled markets as governments realized they needed to lessen the negative impacts of unrestrained competition.

A lens through which to evaluate the performance of capitalist economies is provided by macroeconomic indicators. An economy's health can be determined by looking at factors like inflation, income distribution, unemployment rates, and GDP growth. The goals of governments' monetary and fiscal policies are to promote sustainable growth and stability. Policies that control inflation, encourage employment, and guarantee a just distribution of income all demonstrate the importance of governance.

The terrain of capitalism has been further changed by globalization. Among the characteristics that distinguish the modern global economy are interconnected markets, international trade, and capital movements. To promote economic cooperation and address global concerns, governments work together through international organizations and agreements. The complex dance between capitalism and governance transcends national boundaries and is part of the global economy's interwoven web (Georgescu, 2020).

The prosperity of capitalism is accompanied by obstacles and criticisms. Debates on environmental sustainability, market volatility, and income inequality are never-ending. Governance intervenes to address these issues by enacting laws governing everything from social welfare programs to the environment. In order to strike a balance between economic prosperity and community well-being, the role of government becomes crucial (Bodislav, 2012).

The variety of capitalism models found in different nations is revealed through comparative analysis. Nordic nations have a stronger social democratic stance, striking a balance between strong welfare programs and free-market ideas. To promote growth, emerging economies might take a more liberal approach in the interim. These changes demonstrate how flexible capitalism is and how important government is in adjusting economic systems to meet specific societal demands. Future developments in geopolitics, demographics, and technology will all have an impact on capitalism and governance. The emergence of artificial intelligence, the difficulties associated with an aging population, and the reorganization of international power systems present novel problems that call for creative answers. The interconnectedness of capitalism and governance stays continuous as we traverse these intricacies, necessitating ongoing adaptation to a reality that is constantly changing.

To sum up, the macroeconomic environment is shaped by the interwoven forces of capitalism and governance. The vitality and inventiveness of capitalism flourish in the regulatory frameworks that offer the essential guidelines and protections. The continuous discussion surrounding these systems illustrates how intricate and dynamic our international economic system is. Societies can meet the difficulties and seize the opportunities that lie ahead only by having a sophisticated grasp of capitalism and government.

The creation of a free market-based competitive economic system has been a crucial step in the evolution of governance. It has brought us to the prosperity of the past three years, as evidenced by the tiny regulating syncope (self-regulating) that was demonstrated during the 1929–1933 and 2007–2011 crises (the crises are highlighted by the theoretical approach of long cycles, Kondratiev type). Democracy established the conditions for the free-market-based economic system known as *"capitalism"* to develop. The idea of individual political freedom and the freedom of people to pursue their economic interests are logically and clearly related. As previously discussed, Adam Smith postulated that human conduct is driven by *"an invisible hand of the self-interest"* in his seminal work *"Wealth of Nations"* written in 1776. Rather than seeing it negatively from a moral standpoint, he regarded it as the primary driving factor behind social and economic advancement (Bodislav, 2011). The paradox that emerged from the growth of capitalism is that prosperity, which benefits all of us, was brought about by people pursuing their own interests collectively. The purpose of the economic system is to provide people with commodities and services that meet their requirements. It can also, via the course of the economy, produce employment that generate income that people can use to purchase things and services that they desire or need. People with a poor economy struggle merely to survive, becoming victims of disease and starvation. One contentious reality is that a revenue-generating economy is not always one with high moral standards; it all relies on the processes involved in the creation, distribution, and use of money. It is a never-ending discussion to find the "goods and goodness" balance. This is not the aim of the study, and at this point, no solutions to the problem can be emphasized. The right road must be relearned despite all the detours on dark and twisty paths of rapid, illogical, and irrational enrichment that led to the global economic crisis that we are still in. Clearly, moral and ethical considerations must enter not only the governance of nations but also commercial enterprises.

The way businesses operate in intricate economic systems, each with unique ecological features (i.e., auto-regulated internal implementation systems). By comparing this system to a game, in which players strive to win by staying inside the bounds of the rules, we may witness this system. These games are played throughout history and have evolved to a certain degree of complexity and level, with the majority of their modifications occurring in the previous 20 years. The games started off local and spread from villages to communities to tiny geographic areas. These have grown across entire nations in the last several centuries. These days, the games are played throughout the globe among related countries in economic unions (Cairncross, 1997). The bulk of the economic systems that we discuss have rules that are primarily set for the members of economic alliances.

Every country's version of the game considers a variety of factors, including capital, geography, political system, culture, population education, and the availability of natural resources (Burlacu, 2018). These characteristics have an impact on building the infrastructure needed to keep the game going. Infrastructure includes the national transportation system (roads and trains), the judicial system (criminal and civil), and public safety. The criminal justice system upholds internal social order while defending individuals and their property. An army that can defend the country from an impending attack is comparable. Property rights and contracts are upheld by the civil system, which arbitrates disputes. Within the framework of the resulting organizational infrastructure, we discover that three distinct institutions significantly impact and determine the game: the govern, governing, and regulating agencies, as well as individuals or groups who either choose to or are compelled to play outside the rules (Vladut et al., 2024).

The game's regulations are created, approved, and interpreted by state and municipal governments, the president and legislature, and several government agencies. In particular, the president has a significant role in this process, primarily using his veto power and executive orders, which he and the prime minister carry out together. Both individual voters and interest organizations attempt to sway the drafting of legislation to suit their interests in a democracy. For this reason, an aspect of the game is attempting to alter the rules.

The rules that the governance structure establishes can either boost or detract from prosperity (Popescu et al., 2018). This intricate component is the subject of ongoing discussions and significant strains. Populist politics and social conscience drive us toward a wide distribution of wealth; the extreme logic is a well-regulated social structure (take Cuba or Columbia, for example, where the populace lives in terrible poverty). When these social institutions were put to the test, they dreadfully failed to increase the income of the public (Radulescu et al., 2018). Individual productive behaviors that are scope-oriented are not present in these kinds of systems. However, it was detrimental to prosperity to allow a disproportionate amount of money to end up in the hands of special interests. The main task in this economic game is to determine which of these limitations is in equilibrium. A society uses a portion of its output to influence its own economic system and, in a cyclical fashion, the output in the future.

The judicial and regulatory agencies interpret and implement the laws, while legislative bodies and regulatory agencies establish the regulations at a macro level. The implementation of these means keeping an eye on the actions made and by the players to determine if the rules have been breached or will be broken. The implementation of regulations in democratic nations has led to problems between the protection of common goods by the police and private rights. Judging on their basis, the courts – which stand in for law enforcement – face difficulties with complicated negotiations, disputes of interpretation, and being situated in an unstable area (Bodislav, 2011).

Most people who play the game and follow its regulations are individuals or business entities. Two groups are absent from the competition. Those that play *"beyond"* the rules are members of the underground economy, which is formed by one of these groups. Strangely, the tight game rules that underpin the subterranean economy also generate possibilities on the illicit market. These regulations aim to uphold morality by, for instance, restricting the entry of narcotics, prostitution, illegal gaming, and/or pornography. However, they frequently have unfavorable effects by fostering the black market for illegal products and services. People who are unable to enter the workforce or who choose not to do so make up the second category *"outside"* the game. Social programs have brought new people into this group; yet some of the group's members lack the abilities, know-how, and work ethics needed to make a livelihood in an increasingly complicated workplace. Furthermore, biases prevented many individuals from actively participating in the economy's formation over time (Profiroiu et al., 2020).

At the very least, those outside the game act as a brake on it, but they also pose a hidden threat. If they gather in enough numbers to establish their own governmental entity or to riot, as they have done in several nations, they can completely ruin the game. Put simply, a revolution from without will be imposed upon the society if too many people are left behind and unable to engage in the capitalist system. As a result, individuals who are already in the game have an incentive to attempt to get others into it.

The competitive environment in which the game is played is the outcome of the governance process, which entails the creation and application of rules. Is the current climate conducive to wealth creation or not? Over the past century, nearly 70 years have been the most prosperous in history for the whole planet. Two world wars and two worldwide economic crises were interspersed across them.

The extraordinary challenge facing those engaged in national governance is whether we can restore, preserve, or even increase the level of global wealth, or whether we will be able to replicate the history of harsh economic cycles and the inevitable personal suffering that goes along with them in a matter of years.

Conclusion

Similar to countries, the success of individual businesses depends on good administration. An analysis of long-running, profitable companies demonstrates the effective governance of commercial interactions by the board. Similar to underperforming businesses, it is typical to report issues to the board of directors, who failed to effectively monitor the issues facing the company (Vâlceanu, 1998). The business press seldom ever highlights boards of directors that function well, whereas the general press frequently publishes examples of the hierarchical latter (Freeman, 2005).

The Chief Executive Officer (CEO), who answers to the Board of Directors, oversees the corporation's management. While the board serves a variety of functions and organizations comprehend a wide range of goals that can be achieved, the main focus of this research is on the management, leadership, and governance of publicly traded companies. These companies aim to create and serve consumers, and if they are done well, they can be awarded through profitability and stock value growth.

Closed-private enterprises are distinguished from open-private enterprises by the fact that the owner typically leads them personally (boss-principle). Private company owners represent just their own interests and are more educated about commercial interactions since they are actively involved in their operations. Because they aren't giving up control to a representative board of directors, there may be conflicts of interest between investors and the people they appointed to represent them in the operation of the company. Nonetheless, a lot of the governance guidelines that govern privately held, opened businesses also apply to closed businesses.

This paper provides a logical and chronological overview of the development of the business environment, emphasizing the emancipation of commercial unions, regions, countries, and companies through the application of frameworks, regulations, bylaws, common sense, and good will (Bodislav, 2011). These facts are now overridden by the banking system, whose core business has devolved into a world of derivatives, OTCs, margin contracts, and investment banking, which are situated on the precarious edge between licit and illicit economic activities.

Ultimately, these developments lead to the economic recession that we are attempting to contain in these days of manufactured misery brought on by the inept management of nations.

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