COUNTRIES VERSUS CORPORATIONS AND ECONOMIES VERSUS BUSINESSES... WHAT MAKES THE GLOBAL MECHANSIM WORK BETTER?

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Abstract
This research paper is a nexus of solutions brought in theory and real life situations in the frameworks of corporate governance, state governance and public administration. The approach on this paper was done by putting together a 360 degree focus on real life situations that create the formal and informal mechanism that make the world go round and round, be it the through the rigorous eye of the private sector or the public sector.

The first part of the paper slices the economic decision making pie in two halves, the global mechanism through the business's vantage point and the global mechanism through the economy's vantage point.

Key words: *corporate governance, state governance, economic growth, free trade, global account*

JEL classification: *F10, F23, F43, F63, G3, L33, M21*

1.Introduction

The first step to create a 360 degree view on the global economic mechanism is to divide the mechanism as seen as a corporation and as a country and from another perspective seen as a business versus seen as an economy.

To define the comparison between a country and a corporation at structural level there must be underlined the main differences between them [1], as it is explained in the pages that follow.

2. The direct relation between exports and jobs

a. As a business: free trade, its growth leads to the aggregate growth of the free trade indicator (included in the GATT – General Agreement on Tariffs and Trade, this being the agreement that molded the free trade and this way created as a general effect the outset to create more jobs);

b. As an economy: free trade with an ascending trend means the growth of exports, this fact leading to the increase of jobs level available in the economy that are linked to the exterior).

At global level, Exports are equal with Imports, but they must have a global consumption that is correlated with a higher demand that directly grows the number of jobs available in the economy, and if the number of jobs grows, the unemployment rate will go South and it will lead to the growth of inflation, as 2nd tier effect, and it will increase the need to hire work force.

For example, if China demands goods of a total value of 200 billion dollars from the US then the number of jobs that are linked to exports will grow, but the FED will try to stop the boom by lowering the interest rate (growth is blocked by the rounds of Quantitative Easing and Operation Twist), this way lowering the attractiveness of industries that are directly linked to the borrowings sector, and jobs from one sector will shift to another sector. There isn't direct growth without the net loss of other components that create jobs. To validate this issue we have the malfunction of the American system to maintain a minimum flow of hires, because the system has as optimal level the mark of 150000 new jobs created each month, but the estimated monthly jobs number is situated around 120000, data valid for April 2012, and relates the fact that the economy works under the optimal level. A negative element is represented by the real estate sector, the FED will lower the interest rate eventually to ease the imports for credit lines owners to equilibrate the commercial balance and to decrease the pressure of given credits from the borrower's perspective, possible in the US to enter the same trap that caught Japan in the early 90's, meaning that it wouldn't have control on their monetary mass because they've already pinned their nominal interest rate to zero, the US has targeted their nominal interest rate to 0,25% through the FED until quarter 1 of 2014, with the trend going to near 0%, and the irony consists in the fact that the banks want to maintain their work surplus to around 2 trillion dollars in stock, not in flow state from the idea that an interest rate of 0,25% comes with no risk added.

Returning to Exports growth, it brings the growth of the jobs' number, but if exports accelerate without logic, they will lead to the decrease of imports because of a lower competitiveness for imports, the specialization effect being the main prosecutor.

3. Investments and the commercial balance

As an example we have the multinationals that choose a country to invest, which pump billions of dollars in that country resulting the following:

a. As a business: the country will have a commercial surplus because from this perspective the investments represent an entrance in growing the production capacity, believing this way that they will import less, for the internal market to cover the demand side (after the infusion of foreign direct investments is linearized or leveled).

b. As an economy: the commercial balance is part of the payment balance and any ins or outs are observed in the Capital Account.

Foreign Direct Investments (FDI) leads to the growth of Assets acquisitions (increased Imports), this way the pressure is observed in Imports in their relation with Exports and used FDI's and if the country has a free floating exchange rate, all FDI that is absorbed will lead to the decreasing of the exchange rate and relative stalling of imports, but if the country has a targeted or fixed exchange rate it will lead to the increase of the rate of inflation.

For example: Mexico before 1989 wasn't an attractive country, but after the year 1989 powerful investments were done and an economic boom was seen, but these inflows of cash destabilized the peso (in 1994 the peso seriously declined), they transformed the country in a net Importer and this way it led to a deficit of the commercial account that was equilibrated in the end by a powerful decrease of the FDI in Mexico [1].

4. Business versus Economy

A government doesn't creates different taxonomies, but it creates standards for not to evolve into an inefficient government by implementing over regulations or extra niches to regulate. If the business side is given by the competitive advantage (technology, know how, work experience), in the economic side general work principles are followed. For example: What domains must be developed? In a business there is the idea of multi sectorial development, but not implemented or designed by the line manager but under the leadership of the executive level. In an economy if the secretary of state is the one who decides what industry must be developed then the chance of a failure increases on that branch compared with a similar business measure (at this moment there could be brought into the spotlight the idea of public-private partnership for middle development).

Human Resources Management isn't the same thing with the Labor Act. The main difference between business strategy and economic analysis is the following: even if any business represents an open system, an economy is a closed system (because at worldwide level the economy represents a game with a sum that has small fluctuation year on year, accelerated growth of a country is seen through the aggregate decrease of the evolution of another group of countries, from where some elements are extracted and moved in the country that is on an ascendant slope), but working with both systems is totally different. As an example there could be taken the solid garbage that is created; some cities export their garbage in other areas that are under the management of other cities, this fact creating profit for the "importing" cities from the financial side and from the eco-social perspective they offer a bonus for the "exporting" cities. But then the problem appears: not all cities could export and a given equilibrium is exploited, in the exemplification the idea of exporting to third world countries isn't valued, this way a main idea is underlined: the city represents an open system, but the state represents a closed system. Another example is the "semi-public" traveler, because there are some persons that drive to the nearest public transportation nexus, but they leave their car in a paid parking lot and they continue their itinerary using the public transportation until they reach their daily destination. Sometimes when they arrive at the parking lot, the parking lot is full and they'll have to use the car until they reach their destination. If they observe that if they reach the parking lot at 8:15 they will find empty spaces then this becomes a new rule to use – the "8:15 rule", but when the other semi-public travelers discover the rule, the rule must be reconfigured by arriving even earlier [1]. At the beginning they represented an open system, but after they arrived earlier the system evolved to a closed one.

In a business the number of employees could rapidly rise, decisions on new investments could be taken, covering new markets, consolidating old ones, lowering the number of employees, thanks to the open system the result is the doubling or tripling of revenue on the short run. In an economy this principle isn't valid or possible – closed system, not all companies that power the economy of a country could triple their revenue in 10 years, this yield being impossible to reach, actually some companies are the ones that block others by swallowing them (or their market share). Here the global commerce could be brought into the spotlight because even if it grows it doesn't directly influence the economy, for the US 70% of the employees work in sectors that aren't influenced by the Export/Import commercial balance, this way they are in direct competition on the internal market despite others. It results that the jobs created through export are resulted from the loss of jobs by others that became inefficient.

Another example could be given: mp3 players versus mp4 players. In a company the decision to grow the production of mp3 players is taken after their sales skyrocketed. The success of mp3 players helps at growing the investment in Research and Development and it offers support for the development of mp4 players. The accelerated growth of the mp3 players' market share sometimes starts to erode the production of mp4 players. The accelerated growth of the demand of product (sector) could lead to the failure of another, but everything is based on the generated feedback, which represents a new model for better efficiency, competitiveness, synergy, etc.

In the economy the increase of the number of employees in one sector most often is done by destroying other sectors. There must be controlled the inflow of capital while the exports met on a branch.

Business feedback is different from economic feedback – business feedback is positive, weak and not well defined (open system), while the economic feedback is negative, clear and strong (closed system with immediate propagation).

An individual, a city or a region represents an open systems while an economy represents a closed system. The first ones could attract people from other areas, sectors, while economies rarely use these methods. The businessman will tune hiring (downwards) and will lower the average wage, while an economy must be tuned through policies on FDI and on the exchange rate.

5. The innovative company and corporate governance

Decision centralization in corporations on resource distribution in the economy led to considering the corporate module as being the best solution for shifting towards macroeconomic performance. The process through which resources are exploited represents a competitive advantage of corporations in front of other corporations. Theories built on corporate governance – theories about corporate governance have an important downside, they don't include systemic analysis of innovation in their core business structure, them being built starting from the neoclassical economic theory that doesn't include innovation as development factor. To evaluate the innovation economy, the corporate governance theory must include a trident based on development, organizing and strategic scaling on resource allocation as an innovational factor.

Corporate governance used as controller for the governmental system for resource allocation must be reinvented or innovated because the mistakes mustn't be shifted from the classic theory on corporate governance. The component for innovational strategy in investments must be brought into the spotlight, depending on the stimulus and the abilities to express and implement control. We should expect that the relation between corporate governance – the innovative behavior – state governance must vary depending on the influenced part of the economy, the organizational culture and institutional conditions offered by the state that influence the development decisions, what kind of decisions must be taken and on what term should them offer any acceptable yields (social). The comparative study between corporate governance and economic performance show that necessity to create a metrics for measuring the innovative character that links the two components, this comparative vision was researched by Lazonick and O'Sullivan in 1998 from the perspective of social influences created through the collaboration between the two environments: the private and the state one [2].

On used corporate governance models and on the innovational perspective that these models create there were elaborated studies by Nelson in 1993 [3], Freeman and Soete in 1997 [4], Mowery and Rosenberg in 1998 [5], and another component built as a new study niche is the one based on innovative economic behavior from the corporation's perspective. This process must be adapted from the corporate framework in the state governance framework to function like a hybrid in the environment of corporate governance and state governance, this way in dynamic economies, companies and nations have a common problem: when it is optimal to stop work in progress to cut losses or unclear efficiency [6]. This master theory could be built by using two factors: opportunities and stimulating creative destruction, as seen through accelerating creativity, reaching a central model that could evolve from the corporative path to the state one, this way creating a model of corporate governance (derived from the Anglo-American model for corporate governance) that should promote national economic performance through a molded conceptual framework for innovation and information.

6. The financial component of corporate governance

Debt and equity aren't considered as being alternative financial instruments, but more as path that are used for the development of corporate governance. Debt governance works because is founded on many rules, while equity governance is based on informal connections and hierarchies. Williamson's theory offers vision on the development approach, through equity or through debt, choice that is done strictly based on the available assets, despite what is the subject of the research, a country or a corporation [7].

Transaction costs represent an approach through which there are gathered in a proactive system all existent costs and this way there could be introduced in the followed development plans, from the beginning. The existence of many institutional structures leads to the increase of governance costs and their structure.

7. Diversity as pressure on corporate goverance

To underline the connections between the corporation (corporate governance) and state (state governance) at executive level is needed to explain the framework of corporate governance, identifying the social relations and the institutional agreements that form the corporate governance created and implemented by the board of directors and the interests that they serve, what rights and responsibilities are shaped and followed (including here shareholders – corporation; population – state). The approach centered on the individual is followed by Aguilera and Jackson in 2003 [8] an approach that creates a parallel between corporate governance and the institutional construction part of the state. All followed models on this structure lead to the convergence to the Anglo-American model of corporate governance, this way countries will develop linear development trends. A special model is represented by the implementation on a multilevel approach in the European Union, this process being stalled by incomplete policies and without connections between the countries that create the E.U..

Institutional changes are hard, they are done only to temper some public pressures, and external pressure could lead to top-down changes, but without hierarchical spread. The result of created pressures is a hybridization of the corporate governance models, where some standard practices are established at national level (partial decisional freedom), these being molded on the standards for national economic policy [9].

For example there could be brought the imports done by Germany and Japan (after World War Two) of some American institutional practices, but it led to a slower, inefficient system, these being rethought after analyzing the local context [10]. In the new millennium, Germany and Japan tried to implement a 180 degrees vision on the postwar situation, trying to create value for shareholder (at corporate level) and to the individual that belonged to a state, shaping a hybrid model between corporate governance and will lead the erosion of the existent pre-change institutions.

Hybridization creates the homogeneity of organizational practices under national limitations [11] [12]. While nations present a general profile for corporate governance, the deviation from the observed standard model evolves till the internationalization of corporations, but with unique governance models.

8. Rethinking public administration by using corporate governance

The concept of governance is most often met in describing public administration, but the terms definition has diluted. The European literature evolved and built the idea of "corporate governance", underlying the importance for the idea of network, partnerships and markets (at global level – [13]).

The traditional concept on the public sector became more and more niched, the idea of national governments that have as main function creating public policies and that could influence the economy and the society through the followed actions. The directions followed by national governments appeared as a result of the growing importance on the international environment and on diluting in implementation and execution of the governmental action because of the globalization's pressure. These pressures imposed on national governments are executed through international capital markets [14] [15] or are created through an internal organism, like the European Union [16].

Another path for the traditional concept on governance is created by the tighter and tighter relation between the public sector and the private sector. The idea of governance without government is extracted from the management model met in advanced industrial democracies [17]. Followed patterns by the government are in continuous change, but the power level of the policies and of the administration have a more and more decreased level of freedom.

The principle of governing without government was developed in Europe and had as starting point Great Britain and Holland. As main idea it was the fact that the government doesn't lose its power level, many policy areas are involved, but the network structure of the economy reinvents the idea of governmental power. There are proofs that suggest the appeared changes, like creating new public-private partnerships and a variety of new interactions with the private environment, and the government evolving towards a pillar of objective value allocation for the society. The objectives and the well-defined design are the result of cultural pressures from the historical, political and societal perspective on public administration. All reforms have a common point: the path dependence that created forms and suppositions on the strategies used by the creators of the administrative reform, but the evolution of the model for public administration transforms into a slow and dull one.

The debate on governance represents also a path through which the academic community recovers the adaptability to the existent reality in the public sector and in the contemporary world. The observed path dependence at administrative level is present at academic level, which is why the architects of the reform must express some decisions contrary to the actual flow (even in economic expansion).

The reform that is based on the idea to modify the basic model and the modus operandi of the public administration on the long run because an implementation on the short run would block the system and would lead to some discrepancies between the culture of public administration and the expectations created from the external role, leading to a functional blockage and to a blockage at membership level. The moderate reforms are implemented on the short run, but with a rate of success bigger than radical reforms. Western Europe tried to implement a state governance that is corporate emerging, combining tradition with the work politics of corporations in the classic work schemes of the public administration. The control created through reform is easier to implement in the United States of America because the market based administrative reform (US) is more in tune with the daily reality than the classical public administration (Western Europe). Although the reform is implemented at federal level, it is ideologically defined at governmental level through the interest groups created between the public sector and the private one, fact done also because of a modus operandi that is more oriented towards a purpose designed by local or national governments.

The work theme is for both powerful models of the public administration (the North American or the West European one) to give growing importance to network economy, even from the traditional European perspective that needs the development of political tradeoffs and modifying the value scale of the administration. In the US the existence of federal levels and state levels decrease efficiency and have as an issue the kidnapping by the private sector of the marginal efficiency and of the purposes of interest groups.

9. Conclusions

Actual schemes for governance in the international framework could be linked to the capacity to govern of the public or private actors. The work strategy is based on three dimensions: the congruence between the issue's purpose and the organizational structure of the involved actors, the problems typology and the institutional context [18].

The governance could be seen as a model for theoretical implementation in real life situations. Five ideas could be extracted and presented as real game changers:

a. Governance represents a complex set of institutions and actors that are attracted towards and outwards governance.
b. Governance recognizes undrawn borders and responsibilities for approaching social and economic problems.
c. Governance identifies the power of the involved dependence in the relation between involved institutions in the collective action.
d. Governance represents a network of actors that auto-govern themselves.
e. Governance recognizes the capacity to finalize things and that do not stop the governmental power to command or to use authority. This idea represents a model for using new tools and techniques for reaching the targeted result [19].

The ideal governance is based on four types of governance. Created by the relation between the public and private sector and the capacity to influence social and economic layers and political processes involved in different actions. Keeping in mind the pressure created by the internationalization and the political and economic power it results the actor's capacity to be anchored in the governmental reality. The internationalization could be seen as representative for a tridimensional governance scheme, based on: extra-regulation or on the auto regulation that is legally deployed, auto regulation that is imposed from the competitiveness perspective and the market regulated regulation. Another problem is the number of actors involved in the economy: the public actors that couldn't directly influence the behavior of the private actors and this way it results in a direct correlation between the power to influence and the flawless functionality of the economic mechanism.

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