

Review

Principles of Sustainable Economic Growth and Development: A Call to Action in a Post-COVID-19 World

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Abstract: The analysis of sustainable economic growth and development often focuses on how to control the market process through coercive state intervention. While state interventionism may play a significant role in countries' progress, entrepreneurship is the driving force behind sustainable growth and development. Entrepreneurship is the people's judgment on ideas, plans, and projects, which promises profit in uncertain times. Its effects are the creation and transmission of information and social coordination as a dynamic process of identifying and solving human problems. Sustainable development is the widening range of entrepreneurial alternatives open to people, and sustainable growth is a phase of sustainable development that depends on genuine savings to finance increasingly capital-intensive production structures. The degree to which people are entrepreneurs and the direction genuine savings take depend on institutional arrangements. Some institutions are more conducive to sustainable growth and development than others. After reviewing principles of growth and development sustainability, how coercive state intervention influences economic performance is discussed, proposing novel policy conclusions and research avenues to cultivate entrepreneurship and genuine savings in a post-COVID-19 world.

Keywords: entrepreneurship; judgement; institutions; sustainable economic growth; sustainable development; government finance; transaction costs; digitalization



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1. Introduction

An analysis of the sustainability of growth and development focuses on how coercive state intervention can increase the production and distribution of goods through taxes, regulations, deficit spending, debt accumulation, and then degrade the currency to make simulated payments on that debt [1–4]. This paradigm sets aside the study of the role of entrepreneurship and genuine savings in the sustainability of growth and development, along with how institutions influence the market process' productive, unproductive, or destructive outcomes [5,6]. This paper explores these ideas, focusing on entrepreneurship and genuine savings as the driving forces behind sustainable economic growth and development. Although some institutional arrangements are more conducive to productive entrepreneurship and savings, this paper develops the idea of confiscation risks to assess the economy's sustainability. People respond to incentives, and some confiscation risks can reduce incentives for undertaking and saving.

The paradigm of coercive state intervention is undoubtedly worthwhile to study the economies' performance. Interventionism can play a significant role in countries' progress by empowering economic agents [7,8]. However, there are good reasons from an economic perspective to focus more on entrepreneurship, savings, and institutional arrangements if the objective is to understand how sustainable growth and development work [9]. State dominance of production and distribution through confiscation is not the same as promoting an institutional environment conducive to decentralized entrepreneurship and a long-term vision for saving and investing. A society based on central planning can generate

arbitrary and wasteful criteria for allocating resources [10–12]. If this is the case, there can be no sustainability of growth and development.

As it was developed through the second half of the twentieth century, Neoclassical economic theory has regarded the concepts of growth and development as identical [13]. While growth is associated with Gross Domestic Product (GDP) and development with observable variables (i.e., life expectancy at birth and average years of schooling), the neoclassical framework recommends steering development through the compulsive increase in GDP per capita [14,15]. If this were the solution, poverty would have disappeared at least a hundred years ago. Evidence shows a weak connection between, on the one hand, the neoclassical literature on economic growth and development and, on the other hand, the literature on entrepreneurship [16–18]. If one wants to understand the engine of sustainable growth and development, the focus on entrepreneurship is the first step in recognizing the coordinating or uncoordinating outcome of different policies [19]. The creative and coordinating element of entrepreneurship reshapes economic development as the widening range of alternatives opens to people. Hence, economic growth is a phase of development that depends on genuine savings to finance increasingly capital-intensive production structures. This line of reasoning examines entrepreneurship as a dynamic process of identifying and solving human problems by judging ideas, plans, or projects that promise profit [20]. Accordingly, the sustainability of growth and development depends on a conducive institutional environment so that entrepreneurship tends to coordinate supply and demand for solutions to human problems.

This paper sets aside how the state can command the economic system to examine how an institutional structure can promote or prevent coordination between the supply and demand of solutions to human problems. This approach follows dynamic efficiency theory, capital theory, and confiscation risk theory which explain the foundations of sustainable economic recovery and poverty reduction as an entrepreneurial process of identifying and solving human problems. After reviewing the principles of growth and development sustainability, how coercive state intervention influences economic performance is discussed, proposing novel policy conclusions and research avenues to promote entrepreneurship and genuine savings harmonious with the Sustainable Development Goals agenda (SDG) in a post-COVID-19 world [21,22].

2. Theoretical Framework and Methodology

This review utilizes the fundamental principles of political economy based on dynamic efficiency theory, capital theory, and confiscation risks theory [23–25]. The methodology consists of logical-deductive models–verbal chains of logic–to make the world intelligible in terms of entrepreneurship as people’s judgment on the resources they own and control, explaining its societal consequences through know-how hitherto unsuspected [26,27]. This method offers four scientific improvements that are particularly relevant to understanding how entrepreneurship works and how the institutional environment makes life in society possible. First, the pure theory develops from the principle that people act entrepreneurially to improve their condition in subjective terms (discussing the axiom implies a self-contradiction). Second, the applied theory begins when theorists focus on the pure logic of action and explore the compositional relationships that arise from individual interactions, along with the institutional and legal arrangements that govern the social process. Third, the pure and applied theories pattern builds an explanatory arsenal of the empirical world, especially in economic history and public policy. Therefore, this review serves as a general framework for further quantitative studies, which may be useful as an auxiliary and illustrative means of economic theory. While verbal chains of logic can (and often do) have errors in causal reasoning, this is not enough to rule out the scientific soundness of verbal logic. The essence of scientific progress is the intellectual ability to notice errors and inaccuracies in theory and the ability and willingness to refute, modify, or confirm them.

3. Dynamic Efficiency and Entrepreneurship

The dynamic efficiency theory requires, albeit briefly, reviewing the basic principles of entrepreneurship [28]. The term entrepreneur “as used by theory means acting man exclusively seen from the aspect of the uncertainty inherent in every action” [29]. Entrepreneurship is driven by the promise of profit based on the actor’s knowledge to judge the means’ sustainability to achieve ends. Judgment is the essential element of entrepreneurship to make uncertain decisions regarding current and new resources to satisfy preferences. It is the process of forming an opinion through the discernment and comparison of ideas, plans, or projects about identifying and resolving human problems [30]. While human problems are judgments about some debatable conditions that must be explained and solved, these explanations and solutions have unlimited possibilities according to the actor’s imagination, aspirations, expectations, and knowledge [31,32].

In this sense, the standard of dynamic efficiency relates to the sustainability of the entrepreneurial market process. It explains how entrepreneurship expands the domain of what is recognized, continually changing the location of profitable promises and thus continually inspiring new judgments that expand the domain of the known [33]. It is the judgment on the sustainability of the most useful means (some technological ideas) to achieve the most valued ends (what the actor considers a human problem worth solving). The three main effects of dynamic efficiency are the creation and transmission of information and social coordination through the entrepreneurial market process. First, creativity means exploring, defining, and redefining human problems and action plans to solve them. Perhaps the most distinctive features of creativity are “learning by seeing” and “learning by doing” as a kind of filter to face the feedback from the environment with greater confidence and cognitive stability [34,35].

Second, judgments about human problems are transmitted in the market process through the price system. While the market is the “vehicle” by which people exchange private property rights, the price system is the “fuel” by which signals are transmitted about the people’s subjective valuations. Prices represent historical relationships in monetary units as a function that allows rational economic calculation: an estimate of the anticipated future results of the different action plans [36,37]. Economic calculation is the main pattern for the sustainability of the economic system: the economization of scarce resources to solve human problems through expectations and accounting. For instance, profit and loss are the product of entrepreneurship from solving human problems. Profit and loss accounts are like a compass on what to produce (consume), how to produce (consume), and what quantity and price. Any excess (deficit) of income received by a firm over payments constitutes profit (loss) [38].

Finally, the entrepreneurial market process cultivates social coordination. Once a signal of private property rights exchange is communicated through the price system, specialization and division of knowledge (known as division of labor) begin [39]. All people tend to coordinate as suppliers and demanders of solutions to human problems based on price signals. The coordinating effect does not refer to the “equilibrium” of the supply and demand curves; it refers to entrepreneurial profits and losses through economic calculation [40]. Entrepreneurial competition is a process of rivalry through which the possibilities of offering people better products at lower prices are exploited and tested. If people are sovereign over their private property rights, purchasing decisions can enrich the poor and impoverish the rich. In the free market process, people spontaneously learn, refine, and coordinate their action plan, reducing ignorance by identifying socially valued human problems and creatively solving them. The brand-new market conditions work as a superior platform for subsequent trials to identify and solve increasingly complex human problems [41–43]. This process is dynamically sustainable because profits depend on how well entrepreneurs meet the needs of others. Additionally, the sustainable march from barbarism and misery to civilization and wealth requires an increasingly significant network of capital goods in the intertemporal production structure, distributing goods according to changing demand arrangements.

4. Capital and Time

Capital theory explains the link between the microeconomics of entrepreneurship and macroeconomic analysis [44–48]. Capital theory extends the findings of dynamic efficiency theory as an entrepreneurial process of “intertemporal coordination”. It explores how entrepreneurship cultivates a healthy and sustained production structure, promoting technological progress and productivity to solve increasingly complex human problems [49,50]. Intertemporal savings-investment and consumption decisions give meaning to entrepreneurship as a productive action and help understand how macroeconomic policies promote or suppress the sustainability of the market process.

As Figure 1 shows, capital theory concerns the interconnection of three stages of the entrepreneurial market process. The first is the Production Possibilities Frontier (PPF) of the market process. In this figure, consumption (C) and investment (I) are considered as alternative forms of use of economic resources. Under favorable conditions, a market with full employment (point A) allocates resources between both uses, creating an exchange relationship between them. Changes in the intertemporal preferences of economic agents result in alternative distributions of economic resources between consumption (C) and investment (I), giving rise to different growth rates of the PPF. If the combination of consumption and investment were located further to the right of point A, reflecting a sacrifice of consumer goods in favor of investment in capital goods, the PPF would shift out more intensely, reflecting a more vigorous economic growth process. The PPF describes the sustainable stock of consumer and capital goods to face scarcity and unemployment situations. In the absence of idle resources, investment in capital goods (I) can only increase if agents are willing to save, renouncing consumer spending (C).

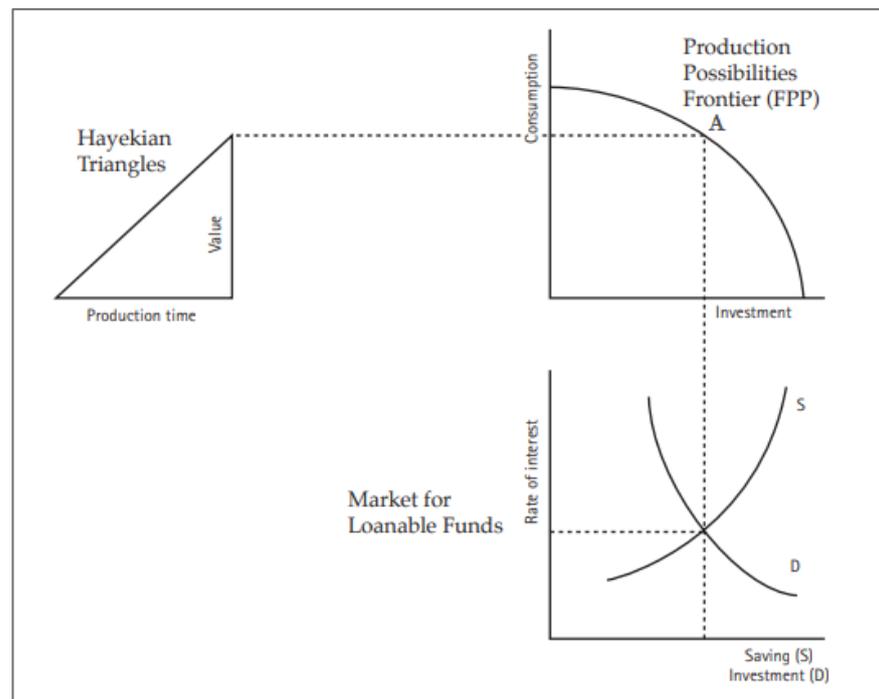


Figure 1. Capital-based macroeconomics. Own elaboration from *Time and Money* [51].

In a modern economy, people not only invest directly but also through the accumulation of savings. The supply of loanable funds is “the willingness to lend at different interest rates, and the demand for loanable funds represents the eagerness to borrow” [51]. The price of time, the natural interest rate (i), builds the intertemporal pattern of allocation of existing production factors to adopt more capital-intensive projects, which serves as a signal to guide entrepreneurs on which investment projects promise higher profits. In other words, the interest rate represents the social rate of time preference of people, which

reflects their preferences between present and future consumption [52,53]. The interest rate helps coordinate the market for loanable funds, allocating scarce dynamically consistent resources so that genuine savings (S) fully support the investment (I). In the absence of arbitrary manipulation of interest rates, the loanable funds market promotes the coordination of entrepreneurial production plans with the intertemporal preferences of the economy's consumer-savers, making them mutually compatible [54,55].

The third stage of capital theory is the production structure, also known as Hayek's triangle [56]. This triangle reflects two essential aspects of macroeconomics: (1) production is a process that requires time, and (2) this process is defined as a sequence of stages that make up the intertemporal structure of capital. The sides of a right triangle describe the relationship between the output or final consumption goods resulting from the production process and the time required to generate them. Production time is a sequence of stages arranged graphically from left to right along the lower leg (horizontal), well-known as the "time axis". In each stage, the inputs or capital goods produced will be used in the following stage. The product generated in the last stage, represented in the upper leg (vertical), tends to satisfy the demand for consumer goods (C). The hypotenuse of Hayek's triangle shows the value of goods in the process (production and combination of capital goods), and its slope shows the implicit rate of return between the different stages of the production process [57,58].

The entrepreneurial market process that guides the intertemporal allocation of resources is inherently complex due to the extreme heterogeneity of capital goods [59,60]. However, entrepreneurship drives supply and demand intertemporal coordination to solve human problems through the loanable funds market, the PPF, and the production structure (Figure 1). The loanable funds market is related to the PPF through the common axes, which calculate the investment volume. The PPF is related to the production structure by the common axes, which calculate the consumption volume. The production structure is related to the loanable funds market because the slope of the hypotenuse of Hayek's triangle shows the market return interest rate according to the intertemporal proximity of each stage with the final output.

5. Sustainable Economic Growth and Development

The concepts of economic growth and development are closely related [61]. From the standard of dynamic efficiency, the concept of development is subjective due to people's judgment of what a human problem is and how to explain and solve it. It is the judgment on the need to go from point A to point B, where B is a higher state and qualitatively preferable to point A. In this sense, dynamic efficiency is a prerequisite for economic development, defined as the widening range of alternatives open to people as more and better solutions to increasingly complex human problems [62,63]. The sustainability of economic development occurs due to the coordination of intertemporal preferences between the supply of demand for solutions to human problems. If economic development involves the coordination of market arrangements, there can be no unsustainable development in the real sense of the word.

Furthermore, the interrelation of the loanable funds market, PPF, and Hayek's triangle make it possible to analyze the principles of sustainable economic growth (linked to productive entrepreneurship and saving-induced capital restructuring) and unsustainable economic growth (linked to a policy-induced restructuring of production) [47,51]. The degree of coordination between the production plans of entrepreneurs–investors and the intertemporal preferences of the economy's consumers–savers will determine whether the growth process that allocates resources over time is sustainable or "contains the seeds of their destruction". Sustainable economic growth (the construction of a capital-intensive production structure induced by entrepreneurship and genuine savings) cultivates economic development (intertemporal coordination of the supply and demand of solutions open to the people). When economic growth is unsustainable (politically induced), there can be no

economic development (market prices are distorted, making intertemporal coordination difficult or impossible) [12].

Figure 2 explains how entrepreneurship and genuine savings determine the sustainability of economic growth and development. A more favorable disposition to saving (lower time preference) increases the supply of loanable funds, and the interest rate tends to decrease (the supply of loanable funds shifts to the right). Lower interest rates would stimulate investment in the first stages of the production process, which are more time and capital intensive, aimed at producing capital goods, to the detriment of the latter, which are less time and capital intensive, aimed at producing consumer goods [50,64]. When fewer final consumer goods are demanded, the firm's accounting profits closest to the consumer goods decrease and the profits of the more remote stages are not altered (there is a movement along the PPF towards investment). The gradual reduction in the price of consumer goods produces an increase in real wages, suggesting to entrepreneurs that it is more profitable, in relative terms, to substitute labor for capital goods, where the labor factor will be required more at the margin produce capital goods.

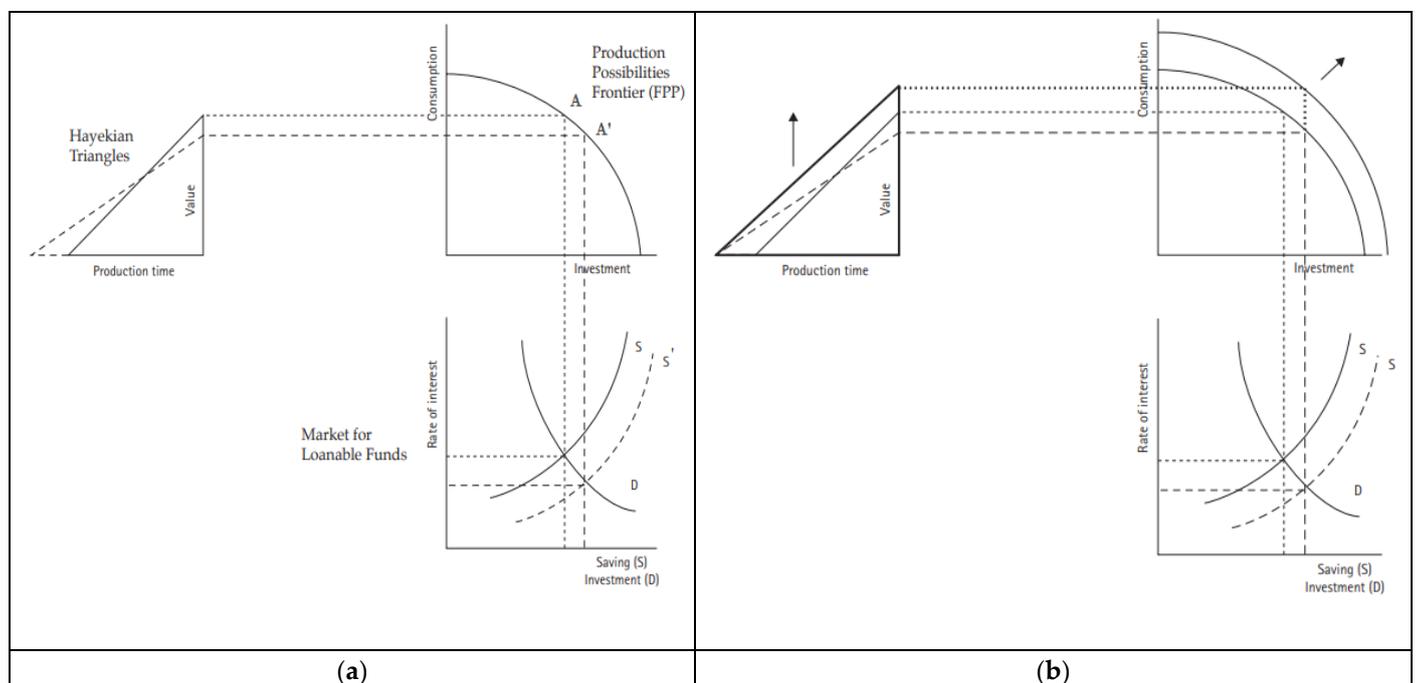


Figure 2. The dynamic efficiency of sustainable economic growth and development: (a) Saving-induced capital restructuring (economic growth) and intertemporal coordination (economic development); (b) Sustained economic growth and development (with assumed interest-rate neutrality, maintaining the stock of genuine savings). Own elaboration from *Time and Money* [51].

When the stages closest to the production of consumer goods tend to substitute labor for capital goods, workers tend to move towards the stages furthest from final consumer goods [65]. While capital goods prices rise (or not fall significantly), entrepreneurs begin to judge and exploit new projects that now promise profitability due to lower interest rates. Arbitrage, speculation, and innovation cultivate some reorientation in investment projects, undertaking more capital-intensive projects as new stages further away from the productive structure (the lower interest rate results in a steeper slope of the Hayek's triangle hypotenuse, increasing the time axis to the left) [66,67]. Accordingly, Figure 2a shows the dynamic process of saving-induced capital restructuring (economic growth) and intertemporal coordination (economic development) through increasingly capital-intensive investment projects with greater complexity and duration, which otherwise could not have been undertaken and completed.

Economic calculation—through the price system and the market process as voluntary exchanges of private property rights—makes it possible for investment projects of greater complexity and maturity time to intertemporally coordinate between the provisions of consumption and savings [68,69]. If the production “becomes more highly developed, it extends through a greater number of stages (Figure 2a). It operates with the aid of many more capital goods and much more labor. The advanced methods, however, tap more abundant natural resources, and the total yield is, therefore, greater” [70]. This fact generates a reduction in both transaction costs and production time, which means an increase in productivity. Labor productivity increases because workers will have new capital equipment to increase their contribution to the total production. As these capital-intensive investments begin to mature, increasingly complex capital goods are available to produce consumer goods of greater quantity and quality at lower prices. If the stock of saving increases, the supply of loanable funds grows to finance the production of more and better capital goods, then marginal productivity is discounted by a lower interest rate, and wages tend to grow. Therefore, more capital goods available to workers drive a healthy and sustained improvement in their real wages and working conditions [71].

Figure 2b shows the sustainability of economic growth and development due to capital-intensive projects financed with assumed interest-rate neutrality, maintaining the stock of genuine savings [72,73]. Hence the entrepreneurial market process cultivates (1) economic growth because it increases the production of final consumer goods, and (2) economic development due to the intertemporal coordination of action plans through more and better alternatives available to people [74]. The dynamics of a healthy and sustained economic development depend on entrepreneurship and the stock of savings to maintain the intensity of capital goods production and the adequately assembled intertemporal production structure.

Intertemporal coordination is the engine of technological progress and digitalization [75,76]. A more complex stock of capital goods translates into new technologies available to people to solve increasingly complex human problems: (1) The production structure shifts outward as firms use new technological possibilities; (2) Technological innovation allows expanding the production possibilities frontier because it favors one or more markets; (3) the higher incomes of people also expand the supply and demand for loanable funds. The widening range of alternatives open to people encourages further economic productivity, the value of labor, the accumulation of capital and consumption resources, and the technology of production methods—the accumulation of additional resources to deploy the dynamic efficiency of entrepreneurship. Essentially, the extension and efficiency of the entrepreneurial market process improve the general organization of the economic system.

6. The Risks of Confiscation and Sustainability

The sustainability of economic growth and development is only possible when, first, private property rights are respected in a society based on contractual links, and second, attacks on private property and the infringement of contracts are punished [77,78]. In this institutional environment, people have the confidence to take a long-term view and take risks through saving and investing. In contrast, an institutional environment hostile to private property raises confiscation risks: the possibility of people being deprived of their ownership [19,61]. Examples of confiscation risks are low maintenance of public order and legal equality, instability in institutions and government finances, unstable monetary conditions, high taxes, regulation, and other confiscatory policies. The fundamental principle is that higher confiscation risks tend to anticipate lower levels of dynamic efficiency, where the economy becomes less capital-intensive and people’s well-being declines. Confiscating private property means restricting entrepreneurship in some areas of the economic system. If no free entrepreneurship is exercised, the market process is restricted because there can be no voluntary exchanges of private property rights. As a result, the price system and economic calculation will be impossible in restricted areas, generating a dynamically

inefficient process of social incoordination between the supply and demand of solutions to human problems. “Once society abandons free pricing of goods, the rational calculation becomes impossible. Every step that leads away from the private property of the means of production and the use of money is a step away from rational economic activity” [29].

Figure 3 shows that confiscation risks are incompatible with sustainable economic growth and development, causing the economy to eventually slow down, stagnate, or even decline [79]. For instance, Figure 3a explains the macroeconomic effects of increased risk of confiscation related to fiscal policy, regulations, lack of legal equality and public order, and institutional instability [80,81]. When some of these confiscation risks rise, the stock of savings tends to decrease (or not increase). The firms’ profits closest to the final consumer goods grow and the interest rate increases (the demand for loanable funds shifts to the right). The price of capital goods decreases, and entrepreneurs have incentives to divest in capital goods stages to invest in consumer goods stages (there is a movement along the PPF towards consumption). The prices of consumer goods tend to rise and, if nominal wages do not change, real wages stagnate or fall, making labor more profitable than capital goods. As the structure of production becomes less capital intensive, the productivity of the economy stagnates or falls. The quantity and quality of available consumer goods decrease at higher prices (the less steep slope of the hypotenuse of Hayek’s triangle, decreasing the time axis to the right).

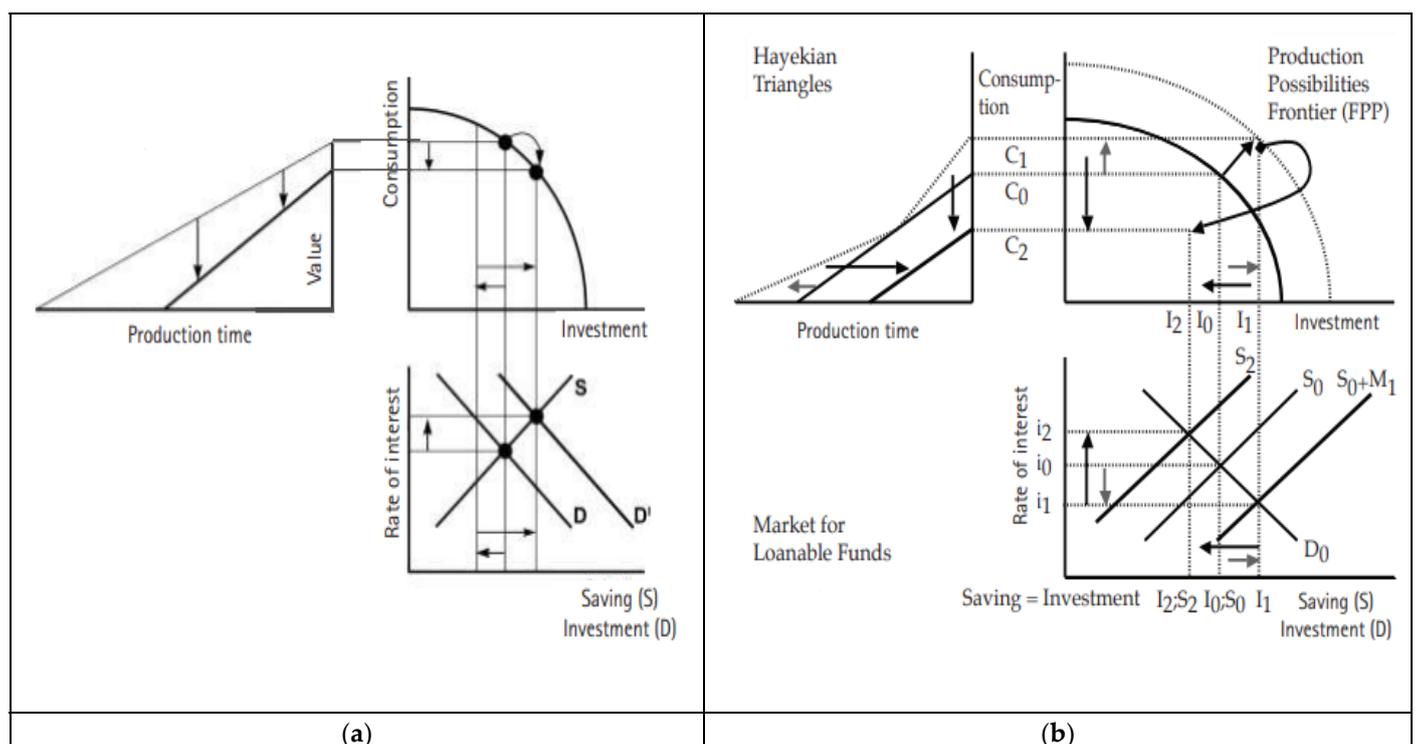


Figure 3. Confiscation risks as the essence of unsustainable economic growth and development: (a) A policy-induced deficit spending; (b) A policy-induced Boom and Bust. Own elaboration from *Time and Money* [51].

Furthermore, Figure 3b shows the effect of state manipulation of money and credit, briefly described as the business cycle [47]. An *artificial boom* is an instance in which the change in the signal given by the interest rate and the change in the availability of resources confront each other. If the central bank increases the supply of loanable funds with newly created money (M_c in Figure 3b), the interest rate is reduced by as much as an increase in genuine savings (the supply of loanable funds shifts to the right in $S + M_c$). In the absence of a real change in time preferences, no additional resources are released to sustain the boom induced by this policy (forced saving). Faced with lower interest rates, people will save less and spend more on consumer goods (overconsumption). The credit expansion

of the Central Bank then results in an incompatible combination of market forces. “The inconsistencies mean that planned capital structures must be abandoned (e.g., half-built factories are left incomplete) and also that roundabout consumption plans must be aborted (e.g., mortgages are defaulted on, homes are foreclosed on)” [82]. Finally, the *bust* is the sequence of investment errors and overconsumption intertemporally uncoordinated, followed by bankruptcy and unemployment [83].

The confiscation risks framework explains why some societies have advanced faster than others [84,85]. Although relatively more repressed countries can have economic growth (increased production), they cannot develop (coordination of supply and demand for solutions to human problems). If economic growth is politically induced, the production structure becomes shorter and flatter, less capital-intensive, with a contracted PPF; therefore, there is less capacity to produce capital goods and consumption goods [86,87]. Distortion of the price system makes economic calculation and rational economic planning impossible. If political biases determine economic decisions, it would be impossible to consider profitability criteria if, by chance, it had been possible to achieve the same objective with less workforce and material means. Coercive state interventionism is useless if the arithmetic process neglects the market prices that guide action plans. Society is impoverished in a dynamically inefficient process of decapitalization.

7. New Insights on the Sustainable Development Goals

In September 2012, political leaders of 189 member countries of the United Nations (UN) agreed to the Sustainable Development Goals (SDG) as a global plan to achieve a better future for all [88,89]. Economic growth and development sustainability should address seventeen global challenges, including reducing poverty, inequality and cultivating peace and justice [90]. The premise of the SDGs is that “poor countries are stuck in a governance crisis because they tend more to be stuck in a poverty trap” [91,92]. Poor countries on their own could not generate the required capital due to the poverty trap, which inexorably condemns them to low incomes. Coactive state intervention would play a key role in bringing about the expected changes and achieving the path to higher levels of equality and prosperity [4].

Table 1 shows how dynamic efficiency theory (DET) offers new insights on how to achieve SGD. The first goal is to “end poverty in all its forms everywhere” to help poor countries escape the poverty trap. DET explains that ending poverty requires sustainable economic growth and development, which depend on institutional arrangements to cultivate entrepreneurship. Sustainable development “is not the manifestation of the operation of an inevitable law of human evolution; it is a tendency resulting from the interplay of forces which can freely produce their effects only under capitalism” [29,39]. If the poverty trap results from exogenous factors to the entrepreneurial market process, “reducing inequality within and among countries” (tenth goal) requires legal equality [93]. While finger-pointing of the widening gap between individuals, societies, or countries generally does not specify the ultimate causes of economic slowdown, stagnation, or decline, DET explains that ending legal inequality requires lower risks of confiscation to cultivate the widening range of alternatives available to the people.

Finally, the promise of “just, peaceful, and inclusive societies” (sixtieth goal) is only possible through social cooperation. DET explains that social cooperation involves voluntary exchanges of private property rights, cultivating just, peaceful, and inclusive societies [94]. When people realize that specialization is more productive than isolated work, the division of knowledge emerges [95,96]. This pattern develops a widening range of technological innovations and increasingly refined and productive vocations. Accordingly, the free association of people “makes a growing population sustainable, the members of which, in turn, feed and provide even more vigorous impetus for the future development and spread of the social big bang, and so the process continues” [10].

Table 1. Some perspectives on dynamic efficiency theory to achieve the Sustainable Development Goals.

SDGs	DET
Goal 1: End poverty in all its forms everywhere.	Ending poverty requires sustainable economic growth and development, which depend on institutional arrangements to cultivate entrepreneurship.
Goal 10: Reduce inequality within and among countries.	Ending legal inequality requires lower risks of confiscation to cultivate the widening range of alternatives available to the people.
Goal 16: Promote just, peaceful, and inclusive societies.	The division of knowledge and social cooperation involves voluntary exchanges of private property rights, cultivating just, peaceful, and inclusive societies.

Source. Own elaboration from United Nations data [88].

8. Discussion and Proposals

Although the number of people living in extreme poverty decreased from 36% in 1990 to 10% in 2015 (more than 700 million people), the economic consequences of the global COVID-19 pandemic could increase global poverty by up to 8% of the population total (more than 500 million additional people) [97]. Poor countries are most at risk during and after the pandemic due to a devastating economic and social crisis in the months and years to come. It is estimated that 55% of the world's population suffers from basic food and nutrition insecurity [97,98]. COVID-19 has deepened existing inequalities, severely affecting the poorest and most vulnerable communities, where the number of people fleeing war, persecution, and conflict exceeded 70 million in this period, the highest level in nearly 70 years [97]. Economic growth and development sustainability is in doubt, and novel alternatives must be explored [99,100]. This paper has applied dynamic efficiency theory, capital theory, and confiscation risk theory to review the principles of sustainable economic growth and development and how coactive state intervention can influence economic performance. This study offers new insights on how to achieve sustainable development goals in a post-COVID-19 world. These theories support the need to reduce confiscation risks that restrict dynamic efficiency. In this review, a call to action from these findings is indispensable to cultivate entrepreneurship as the driving force behind the healthy and sustainable growth of solutions to human problems.

The widening range of entrepreneurial alternatives available to people includes the prosaic (more food or clothing alternatives) and the more profound (job opportunities, access to housing, better health, and education systems, along with better care for the environment). As more and better solutions become available, countries will develop [101,102]. However, governments in poor countries tend to pay less attention to how confiscation risks obstruct the entrepreneurial market process. When governments that priorities maintaining high confiscation risks have preferential treatment for foreign aid, there is an absence of incentive to correct policy [103,104]. An institutional environment conducive to entrepreneurship and genuine savings cultivates dynamic efficiency because people have more significant incentives to spend their time and intellect on social cooperation. Technological progress is cultivated by entrepreneurship, which “incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism” [105]. Entrepreneurship generates new ways of solving old human problems and private property rights through the price system and economic calculation, providing the incentive for people to offer innovative solutions to human problems. Entrepreneurial competition is the engine of innovation as people's judgment to introduce new goods and services, new production methods, new techniques of organizing transactions, and new systems of industrial organization, continually surpassing political and technological obstacles [106]. This is especially true considering the digital revolution, which represents new ways technology is integrated into societies, reducing transactions costs and improving people's well-being [107,108].

It is time to discuss a sustainability model for economic growth and development: studying how the digitalization and automation of state services through new information and communication technologies (ICT) can cultivate dynamic efficiency [61]. The advantages of digitalizing and automating the state are evident: (1) it reduces bureaucracy, corruption, and all associated transaction costs, promoting transparency and predictability of policy; (2) it reduces the waste of time and money that means carrying out face-to-face procedures in state agencies, increasing decentralization and political competition between local governments; and (3) stabilize government finances to reduce taxes and regulations on entrepreneurship and free up state resources to provide direct assistance to promote education, job training, and entrepreneurship. Likewise, the increasing levels of wealth and technological improvements promote the judgment and adaptation of entrepreneurship to solve the human problems that arise in the future. For example, climate change provides incentives for firms to develop new products, such as resistant building materials and backup battery systems in the home. Big data provide adjusted electricity and water prices in response to weather events, encouraging consumers to change their use in an environmentally friendly way [109,110].

In this sense, the sustainability of economic growth and development needs freedom to incentivize technological progress, such as digitization and automation of the state. It requires reducing confiscation risks as much as possible. Some people seem to believe that freedom consists in being able to do whatever they want yet enjoying all the benefits of an advanced society without cooperating with others. However, a society could not develop if its members had that kind of freedom [111]. The dynamic efficiency theory explains that the only way to develop in an institutional environment based on private property rights and legal equality is to direct individual judgment to identify and solve human problems. As a result, people judge how profits and losses will attract and discipline entrepreneurs in changing and coordinating circumstances. The will to solve human problems is ultimately the source of individual wealth. Thus, no one has the “moral right” to claim a share of the wealth produced by others unless he is willing to obey the rule of satisfying the needs of others [80]. The promise of profit is the core purpose that makes individuals tend to satisfy other people’s demands, at least as cheaply as anyone else. Only producing as cheaply as possible will allow people with saved income to pay for the consumer goods and capital. Accordingly, the idea of getting more for less that results from technological breakthroughs is a key aspect of understanding the role of the entrepreneurial market processes in addressing sustainability.

9. Conclusions

There is a growing need for a healthy and sustainable economic growth and development model in the post-COVID-19 world. This review identified entrepreneurship’s creative and coordinating element as the driving force behind sustainable economic growth and development. It also identified how an institutional environment based on private property rights and punishment for breach of contract cultivates economic growth and development through entrepreneurship and the accumulation of genuine savings. In contrast, confiscation risks impede sustainable economic growth and development. A society based on confiscation risks can have unsustainable economic growth (increased production) but cannot develop (coordination of supply and demand for solutions to human problems). There is an urgent need to solve these theoretical and practical deficits if the states of poor countries want to close the gap with the relatively more prosperous countries, achieving the Sustainable Development Goals. The entrepreneurial market process provides one of the most significant sources of escape from poverty and indigence, so the state must not interfere by distorting the complex telecommunications network of the price system that interconnects millions of people in the “global village”.

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