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NAVIGATING THE ECONOMIC PARADIGM IN THE 5.0 ERA: LEADERSHIP CHOICES BETWEEN MORAL AND CAPITAL ECONOMIC APPROACHES FOR GLOBAL ECONOMIC SUSTAINABILITY

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Abstract: *In the era of Society 5.0, leaders in various sectors face a critical challenge in choosing the appropriate economic paradigm: whether to adopt a moral economy approach that focuses on social justice and public welfare, or a capital economy that emphasizes market efficiency and profit-based growth. This paper explores the leadership dilemma in navigating these paradigms by analyzing economic development and social welfare through the approaches of moral economy and capital economy. The methodology used is a qualitative approach through a critical literature review by examining the cases of countries that implement moral economy (such as Scandinavia) and capital economy (such as the United States and China) to understand the impact of these paradigms in the 5.0 era. The results of the analysis show that moral economy, although it offers greater inclusiveness and welfare, faces challenges in terms of efficiency and global competitiveness. In contrast, capital economy is able to drive rapid growth, but often sacrifices social justice. This paper recommends the integration of the positive aspects of both paradigms to achieve sustainable and balanced economic development in the era of Society 5.0.*

Keywords: *Sustainability, Moral Economy, Capital Economy, Society 5.0, Economic Development, Economic Theory.*

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Introduction

Global economic sustainability has emerged as a critical objective as countries and business entities navigate the complex economic paradigms of the Society 5.0 era. This era, presents leaders with a dilemma: to adopt either a moral economic approach that emphasizes social welfare or a capital economic approach focused on efficiency and growth. Leadership thus plays a vital role in steering these choices, as the consequences of prioritizing one approach over the other can profoundly impact the potential outcomes of each paradigm and examine the strategies necessary to achieve global economic sustainability (Fry, L.W., & Egel, E., 2021).

In the context of a business such as a company, or a social group in society, the existence of the leader and his leadership style greatly influences the way the group moves towards its goals. The success of a group often relies heavily on the leader's ability to provide a clear vision, empower members, and create the right strategy. An effective leader not only ensures that organizational goals are achieved, but also maintains internal harmony and long-term sustainability. Many companies and even countries have managed to develop and progress because of the vision and abilities of a leader (Zuliyatin, F. E., & Baskoro, H., 2023).

In the rapidly evolving era of Society 5.0, where technological advancements are meant to improve human life, leadership challenges are increasing as leaders must balance ethical considerations in the application of technology and profit-oriented capital market goals. By examining the moral economy in Scandinavia and the capital economy in the US and China, this paper provides a comparative analysis of how this paradigm shapes economic achievement, social justice, and leadership strategies.

Entering the Society 5.0 era, the role of leaders has become increasingly important. Society 5.0 was first introduced by the Japanese government and is defined as a human-focused society, where technologies such as artificial intelligence (AI), the Internet of Things (IoT), and robotics are used to improve the quality of human life. Society 5.0 emphasizes the merger between digital space and physical space, where technology is not only used for efficiency, but also to create social balance (Fukuyama, 2019). Consequently, leaders in this era must be able to lead their organizations with a holistic approach, integrating technological innovation with moral and social values. This is especially relevant in the economic sector, where the use of technology must be in line with the goals of human development and sustainability.

The importance of paradigm in economic development is the main focus of this paper, especially in the context of leadership. The economic paradigm adopted by a leader will greatly affect the direction of development, both at the organizational and state levels. There are two main approaches that are often a dilemma for leaders: the moral economy and the capital economy. Moral economics focuses on people's welfare and ethical values in economic decision-making, while capital economics emphasizes more on efficiency, profitability, and capital growth. Leaders are often in a difficult position to choose between these two paradigms, especially when they have to balance between economic growth and social welfare.

This dilemma between the moral economy and the capital economy is becoming more and more obvious in the era of Society 5.0, where technological advances can be used to support one or both of these paradigms. Leaders are faced with a choice whether they will adopt an approach that focuses on short-term gains through the exploitation of technology or opt for a more sustainable approach and focuses on the well-being of the community. In this context, various literatures provide diverse solutions. Successful leaders are those who are able to combine

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aspects of moral and capital deep policy they. Hybrid approach that combining economic efficiency with ethical values is key to creating sustainable growth. Meanwhile, research shows that leaders who focus on inclusive technological innovation tend to be more successful in creating positive social impact in the Society 5.0 era.

This paper aims to be able to identify and analyze the challenges of the Society 5.0 era which demands to consider the balance between economic growth and social welfare. Although discussions on this issue are still limited, there are many global studies that can provide new perspectives. By exploring the data of economic development indicators, this paper will highlight the implications for society and the state, and link them to the moral and capital paradigm. As such, the study not only provides academic contributions, but also offers practical guidance for leaders in ethical and effective decision-making.

Discussion

The contemporary era of Society 5.0 has presented complex dilemmas for leaders in encouraging economic development. On the one hand, there is an increased emphasis on the moral and ethical dimensions of leadership, where leaders are expected to uphold the principles of sustainability, social responsibility, and stakeholder interests (Gorski P.S., 2019). On the other hand, the relentless efforts to achieve economic growth and capital accumulation continue to exert a strong influence, creating tensions between the moral economy and the capital economic paradigm.

Its dichotomy reflects the fundamental change of deep manner in conceptualize the role of business and leadership in economic development. Traditional industrial economic models prioritize efficiency and profit maximization, while the information/knowledge economy in the 21st century demands a more holistic and value-based leadership approach. As businesses and economies grapple with issues of sustainability, social responsibility, and stakeholder accountability, the need for a new generation of responsible leaders is becoming more and more apparent (Pless & Maak, 2012).

In recent years, we have witnessed a growing recognition of the importance of sustainable development, sustainability, and corporate social responsibility in the business world. However, for many managers and leaders, this concept is still new and unfamiliar, often overshadowed by a persistent focus on economic growth and capital accumulation (Arslan, Khan, Latif, Komal, & Chen, 2022).

Early economic concepts were often based on a moral perspective, reflecting the belief that economic activity should be aligned with ethical considerations and social welfare. This is evident in the works of classical economists who integrate moral philosophy into their analysis of economic behaviours (Giocoli, 2023).

In contrast, contemporary economic theory is increasingly shifting toward market-based principles, which emphasize rational choice and maximizing utility, often at the expense of moral considerations. This transition has led to the perception that modern economies operate independently of an ethical framework, with a primary focus on efficiency and profit maximization (Hann C, 2010).

The concept of moral economics serves as a critique of this trend, advocating the reintegration of moral and ethical dimensions into economic discussions. This concept highlights the need to

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balance purposeful rationality with value-based considerations, suggesting that economic choice can and should be motivated by ideological factors rather than mere material gains. Thus, while early economic thought is more closely related to moral reasoning, contemporary discussions of moral economics seek to challenge prevailing market-centric views by reintroducing ethical considerations into economic discourse (Gotz N, 2015).

In today's complex economic landscape, leaders face the challenging task of balancing moral economic principles with the demands of capitalist economics. Moral economics emphasizes ethical considerations, social responsibility, and community welfare, while capital economics prioritizes maximizing profits and market efficiency. To analyze the dilemmas faced by leaders as they seek to reconcile these two often conflicting paradigms.

One of the main challenges facing leaders is the tension between motives driven by economic growth and social justice. In the corporate world, for example, companies are often pressured to increase profitability, which can lead to decisions that sacrifice ethical standards, such as exploiting labor or neglecting environmental responsibilities. The concept of Corporate Social Responsibility (CSR) emerged as a potential solution, encouraging businesses to adopt practices that are in line with moral values. However, the implementation of CSR initiatives often faces resistance from stakeholders who focus solely on financial gain, thus creating a conflict between moral obligations and capital-driven goals.

In the public sector, leaders grapple with the legitimacy of welfare state policies aimed at supporting vulnerable populations. Moral economics advocates redistributive measures that reflect a commitment to social justice, but fiscal constraints and market pressures can undermine these efforts. As leaders navigate the complexities of welfare policy, they must balance the moral imperative to help those in need with the economic realities of budget constraints and public opinion. This dilemma highlights the normative chaos that arises when ethical considerations clash with market-driven economic demands (Sayer, A., 2018).

To illustrate empirically, this paper tries to compare the policies and results of the application of the two paradigms by taking economic data from related countries, so that it can be seen how it affects the balance between economic growth and social justice. This case study provides insight into the challenges and successes facing leaders in countries with two different economic approaches. The analysis was carried out by examining policy documents, economic reports, and statistical data from international institutions such as the OECD and the World Bank.

The Scandinavian countries chosen as examples of the implementation of the moral economy are based on their commitment to social welfare and the equitable distribution of wealth, which characterize their economic policies. Countries such as Sweden and Norway pay great attention to the balance between technological efficiency and social well-being in the era of Society 5.0, making it an ideal case study to see how moral economics is applied in a modern context

In contrast, the United States and China were chosen to represent the capital economies because of their strong focus on market efficiency and technology-driven growth. In this case, both countries show how a capitalist-focused approach is able to drive rapid economic growth, although it often ignores aspects of social justice.

To categorize a country using a moral economy or capital economy approach, several parameters can be used based on research results that are common in the field of economics and public policy.

One of the main focuses of the moral economy is on the equitable distribution of wealth and social welfare. Scandinavian countries, such as Sweden, Norway, Finland, Denmark, and Iceland, are often cited as examples of countries that have successfully implemented moral economic policies by emphasizing high social security, equitable distribution of wealth, and universal access to education and health (Gotz, 2015; Sayer, 2018).

Based on the latest Human Development Index (HDI) from UNDP, these countries have very high HDI values. For example, Norway with an HDI of 0.961, Sweden 0.937, Denmark 0.940, Finland 0.938, and Iceland 0.949 (UNDP, 2023). These values show that these countries are not only focused on economic growth, but also on the quality of life of their citizens.

In contrast, countries that adopt a capital-economy approach, such as the United States and China, show high economic growth, but are often accompanied by greater social inequality. The HDI value for the United States is at 0.926, while China is at 0.761, indicating a gap in the distribution of welfare in these countries (UNDP, 2023).

Table 1: Comparison of HDI

Country	HDI
Norway	0.961
Iceland	0.949
Denmark	0.940
Finland	0.938
Sweden	0.937
United States	0.926
China	0.761

(UNDP, 2023)

In addition, the Gini coefficient, which measures income distribution inequality, also shows significant differences. Scandinavian countries have low Gini coefficients, for example Norway and Sweden with a coefficient of 0.27, while the United States and China have Gini coefficients of 0.41 and 0.47, respectively (World Bank, 2023). Lower coefficients indicate a more even distribution of income in countries with moral economies, compared to greater inequality in countries with capital economies.

Table 2: Comparison of Gini Coefficient

Country	Gini Index
Finland	0.26
Iceland	0.26
Norway	0.27
Sweden	0.27
Denmark	0.28

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United States	0.41
China	0.47

(World Bank, 2023)

Countries with moral economies often implement strong redistributive policies through progressive taxes and social subsidies. Sweden, for example, has a very high progressive tax structure for high-income individuals, while also offering very comprehensive free health and education services (OECD, 2023). Other countries such as Norway and Denmark have also implemented similar policies, where high incomes are taxed hefty to fund extensive social welfare programs.

Table 3: Countries with Progressive Taxes and Social Benefits

Sweden	Progressive Taxes: High tax rates for high incomes.
	Incentives: Have a comprehensive social benefit system, including education subsidies and free healthcare.
Norway	Progressive Tax: A progressive income tax with a high rate for high income.
	Incentives: Offers significant health and education benefits, as well as a robust retirement system.
Denmark	Progressive Taxes: A progressive tax structure with high taxes for high-income individuals.
	Incentives: Provide universal health services and free education, as well as unemployment benefits.
Finland	Progressive Taxes: Apply progressive taxes at different rates for different income levels.
	Incentives: Testing the UBI program and offering extensive social benefits, including education and health.
Iceland	Progressive Taxes: Apply a high progressive tax on income.
	Incentives: Have a government-funded health and education system

(OECD, 2023)

On the other hand, the capital economy approach emphasizes more on free market policies and high GDP growth. The United States and China are prime examples of countries that focus on capital accumulation and market efficiency. The economic growth rate in China, for example, is expected to reach 5.0% in 2023, well above the steady growth observed in Scandinavian countries, which ranges from 1.5% to 2.5% (World Bank, 2023). While this growth has improved China's position as one of the world's largest economies, it has often come at the expense of social well-being and created greater inequality (Patzer et al., 2013).

Table 4: Comparison of Economic Growth

Country	Economic Growth
Sweden	1.5%
Finland	1.7%
Denmark	1.9%
Norway	2.0%

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United States	2.1%
Iceland	2.5%
China	5.0%

(World Bank, 2023)

From the perspective of technological innovation and market capitalization, countries with capital economies also show significant strength. Based on the 2023 Global Innovation Index (GII), the United States has a GII score of 87.5, which places it as one of the global leaders in technological innovation. China also showed significant progress with a GII score of 66.4, although it still lagged behind Scandinavian countries that also showed high scores in innovation, such as Sweden with a score of 87.0 and Denmark with a score of 86.1 (WIPO, 2023). A high GII score indicates that countries with capital economies tend to have strong innovation ecosystems, which allows them to maintain global competitiveness.

Table 5: Comparison of Innovation Index

Country	**Innovation Index**
United States	87.5
Sweden	87.0
Denmark	86.1
Norway	84.7
Finland	85.6
Iceland	84.1
China	66.4

(WIPO, 2023)

However, the success of countries that adopt a capital economy is often costly with increased inequality and neglect of social responsibility. The debate on Corporate Social Responsibility (CSR) in the context of modern capitalism shows that although large companies in countries with capital economies implement CSR, its application is often more cosmetic in nature and does not address the fundamental problems related to wealth distribution and social responsibility (Sayer, 2004; Gotz et al., 2017).

In contrast, countries with moral economies show a stronger commitment to environmental sustainability and social well-being. Based on the 2022 Environmental Performance Index (EPI), Scandinavian countries show excellent EPI scores, for example Denmark with a score of 82.5 and Sweden 82.2. In comparison, the United States and China recorded scores of 51.5 and 49.4, respectively, indicating significant challenges in environmental commitments in these countries (EPI, 2022). This shows that countries with capital economies tend to ignore environmental aspects in pursuing economic growth.

Conclusion

From the description in the discussion above, it can be concluded that Scandinavian countries: Scandinavia show high scores in the social welfare index, progressive taxes, and low Gini coefficients. They also implement strong redistributive policies and have a high commitment to environmental sustainability, making them an example of moral economics.

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Meanwhile, countries such as the United States and China, Nampak are more focused on GDP growth, asset accumulation, and technological innovation. Despite significant social disparities (high Gini coefficients), their high market efficiency and economic productivity place them as an example of a capital economy.

Redistributive Policies vs. Free Market Policies: Countries with moral economies tend to have strong redistributive policies, such as high taxes on the rich and large subsidies for the underprivileged. In contrast, the capital economy focuses more on free market policy, where government intervention is minimal, and the market is left to work on its own.

The Role of the State in the Economy: Countries with moral economies have a significant state role in managing resources and providing basic services. Meanwhile, countries with a capital economy emphasize more on the role of the private sector.

To navigate the dilemma between the moral economy and the capital economy, leaders in the Society 5.0 era must take an integrative approach. Combining ethical values with economic efficiency is key to achieving sustainable and balanced growth. Scandinavian countries have shown that social well-being and economic growth can go hand in hand through equitable redistribution policies and a commitment to sustainability. On the other hand, countries such as the United States and China have shown the importance of innovation and efficiency in advancing the economy, even at the expense of social justice.

Leaders need to consider policies that can bring together the positive elements of these two approaches, by maintaining global competitiveness without sacrificing social well-being. Thus, they can navigate the challenges of the Society 5.0 era and create a more inclusive and sustainable future.

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