

From Internal Market to the Second Curve: Endogenous Advantage Resilient Economy

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Abstract

Traditional enterprise endogenous growth theories highly rely on the strategic resolution of "elite managers" and the execution of "high-quality employees", leading to extremely high management friction and system vulnerability. Addressing this theoretical dilemma, this paper proposes an enterprise endogenous growth model based on "internal daily service circulation" with a "zero capability threshold". By building a two-way closed loop of micro-capital flow between the enterprise and employees, the enterprise can improve capital turnover rate and achieve Pareto improvement of overall utility without increasing external cash flow input.

This paper first applies micro-utility theory and the multiplier effect to demonstrate the effectiveness and high robustness of this mechanism under static conditions; it then introduces a System Dynamics model to deduce the causal feedback loops of this mechanism in long-term operation. Simulation results show that the mechanism successfully outsources complex growth decisions to institutional design, making organizational operation rely only on the "consumer instinct" and "market instinct" of ordinary people. Among them, large enterprises can achieve absolute capital accumulation and build cost barriers through scale base, while small and micro enterprises can achieve high-frequency traffic attraction by leveraging small profits into marketing. Ultimately, both can accumulate momentum and cross over to the "second curve" of external expansion. Finally, this paper explores the cognitive framework friction, psychological contract displacement, and compliance boundaries faced by this mechanism in practical implementation. This study breaks through the "capability dependence" hypothesis of traditional growth models, providing a highly fault-tolerant, de-heroized, "ordinary-people-friendly" new paradigm for endogenous growth for enterprises in the era of stock game.

Keywords: Endogenous growth; Internal market; System dynamics; Second curve; Zero capability threshold; Institutional design

I. Introduction

(I) Research Background and Theoretical Dilemma

In exploring the path of enterprise endogenous growth, traditional organizational behavior and strategic management theories are generally based on a potential "elite hypothesis" and "capability worship". Whether it is Schumpeterian growth relying on technological innovation—viewing growth as a process originating from "creative destruction" innovation, where the relationship among competition, market structure, enterprise

dynamics, and growth/development is given core explanatory power—or the modern enterprise system relying on management optimization, their underlying logic highly depends on two core elements: "heroic leaders" with outstanding strategic vision and risk-taking ability, and "high-quality employees" with high execution and professional skills. Endogenous growth theory, represented by Romer, further reinforces this logic, attributing the engine of growth to knowledge, non-rivalrous ideas, and high-quality human capital in the research sector.

However, this growth model, highly dependent on individual capabilities, faces undeniable vulnerability in practice. The screening and maintenance of elites lead to extremely high agency costs and management friction: Jensen and Meckling define agency costs as the monitoring and bonding losses borne by the principal, generated by outside equity and debt under the "separation of ownership and control"; in small/medium and entrepreneurial enterprises, the decision of "whether to hire a professional manager or self-manage" itself constitutes an empirically measurable management agency cost, and the maximization of the owner's welfare does not always align with the maximization of enterprise value. Meanwhile, in a market environment with slowing macroeconomic growth and intensified stock-game competition, the vast majority of SMEs and even large organizations trapped in growth bottlenecks often find it difficult to continuously acquire or afford such "high-quality" human resources. Traditional growth solutions are essentially "elite-friendly" models, lacking universal robustness, and are difficult to operate spontaneously under ordinary or even mediocre resource allocation.

(II) Shift of Theoretical Perspective: From "Capability Dependence" to "Institutional and Instinct Dependence"

To address the above dilemmas, this paper proposes a paradigm shift in endogenous growth: jumping out of the excessive demand for individual capability upgrades, and turning to mechanism construction based on institutional design. This shift is in line with the core proposition of transaction cost economics—Coase's inquiry into "why firms exist", and Williamson's framework on how human nature and environmental factors lead to market failure, which is remedied by vertical integration, jointly providing a theoretical foundation for "replacing external capability with internalized institutions".

In microeconomic interactions, even the most ordinary individuals possess two basic survival instincts: the "consumer instinct" as the demand side (pursuing utility satisfaction and cost-effectiveness) and the "market instinct" as the supply side (seeking advantages, avoiding disadvantages, and simple cost-benefit calculation). The core assumption of this paper lies in that, if a closed or semi-closed "Internal Market" can be established through institutional design to guide the daily circulation of capital between the enterprise (service provider) and employees (consumers), the enterprise can achieve the recovery of hidden costs and the accumulation of capital stock without increasing external cash flow input. This concept has found partial theoretical support in existing literature on internal capital markets and internal labor markets: on one hand, internal capital markets, as a financing form with concentrated ownership, can enhance monitoring, facilitate asset reallocation,

and integrate multiple businesses into a credible resource allocation mechanism; on the other hand, Rosen extended Coase's transaction cost concept to internal labor markets, pointing out that when the complexity and implementation costs of internal transactions exceed a threshold, the price mechanism will be replaced by a more authoritative allocation system.

More importantly, this mechanism outsources complex growth decisions to market competition mechanisms and bottom-line logic, achieving a "zero-threshold" requirement for participants' capabilities—the system's operation does not require participants to "become stronger", but only to "not cause trouble" by following common sense. From the perspective of mechanism design, as long as the new mechanism can (weakly) Pareto-improve the existing benchmark under the premises of voluntary participation and individual rationality, its candidate solutions for strategy-proofness are characterizable, and the improvement relationship is equivalent to the expansion of the participant set. At the same time, there is robust evidence of a positive correlation between employee welfare and productivity: a large-sample study covering 73 countries and over 1.8 million employees found that employee well-being is significantly positively correlated with firm productivity and financial performance, providing empirical support for the win-win logic that "the internal market simultaneously enhances employee utility and firm capital accumulation".

(III) Research Content and Article Structure

This paper aims to construct a System Dynamics model from internal market circulation to external leapfrog growth (the second curve), and to deduce its underlying behavioral logic and evolutionary path. Methodologically, this paper adopts the System Dynamics modeling paradigm founded by Forrester at MIT and systematized by Sterman—a paradigm based on engineering cybernetics and nonlinear dynamic system theory, focusing on identifying policy resistance, designing high-leverage interventions, and characterizing feedback structures over long time spans. Theoretically, this paper hopes to connect the internal market mechanism with "second curve" style leapfrog growth: i.e., a firm's current profit comes from the first curve, but its future growth must rely on a fundamentally different business curve; this leapfrog problem is systematized in Christensen's disruptive innovation theory as an analytical tool for predicting industry changes under the "Resources-Processes-Values" framework. Meanwhile, the "dual structure" built by the internal market mechanism between existing businesses and the new curve corresponds exactly to the "exploration-exploitation" balance problem discussed in Organizational Ambidexterity literature.

The subsequent structure of the article is arranged as follows: Section II will review existing endogenous growth models and internal market theories, pointing out their theoretical blind spots of high capability dependency. Section III will detail the construction of the growth model based on internal circulation, defining its core elements and rules. Section IV proves, through static mechanism analysis, how the system achieves Pareto improvement of utility and capital turnover under the "zero capability threshold". Section V uses system dynamics for in-depth simulation and deduction, revealing the heterogeneous evolutionary

paths of large enterprises and small enterprises under this mechanism respectively. Section VI discusses the cognitive constraints, implementation difficulties, and compliance boundaries of this solution in practical applications. Finally, the research conclusions and management implications are presented. Through this study, we expect to provide a completely new, "ordinary-people-friendly" theoretical explanation and practical tool for organizational management and economic growth.

II. Literature Review and Theoretical Gap

(I) Endogenous Growth Models and the "Elite Dependence" of Human Capital

Since Romer and Lucas established the Endogenous Growth Theory, economics has shifted the source of growth from exogenous technological progress to internal system variables, particularly knowledge accumulation and human capital spillovers. At the micro-enterprise level, Penrose's Resource-Based View (RBV) of the firm, and the subsequent VRIO framework proposed by Barney, further consolidated this logic, asserting that the driving force of a firm's sustained growth stems from the accumulation of internal heterogeneous resources, especially core technical talent and an outstanding management team with irreplaceability.

However, whether in macroeconomics or micro-organizational theory, traditional endogenous growth paths imply an extremely high prerequisite assumption: the system must continuously acquire or cultivate high-quality "elite elements". This "elite dependence" spawns three major problems in practice: first, the acquisition cost of elite human capital rises exponentially; second, organizational structures relying on a few key individuals are extremely fragile; third, the vast majority of ordinary enterprises lack sufficient return rates to support such high-dimensional resource allocation. Existing theories have yet to answer a more universal question: how to construct an endogenous growth engine in ordinary organizations lacking high-quality human capital?

(II) Review and Limitations of Internal Market Theory

To solve the bureaucratization and inefficiency brought about by firm scale expansion, Coase and Williamson initiated classic research on firm boundaries and internal hierarchical transactions, spawning the "Internal Market" theory. Current academic discussions on internal markets mainly focus on two dimensions: first, the "internal capital market", where the corporate headquarters acts as an internal bank to allocate funds among different business units to reduce financing costs; second, the "internal labor market", which motivates employees through internal promotion and long-term employment contracts.

Although internal market mechanisms attempt to introduce pricing tools to replace management directives, existing internal market theories still have significant limitations. First, they still highly rely on the calculation and planning abilities of top-level managers (such as setting reasonable internal transfer prices). Second, existing research often defines the subjects of the internal market as "departments" or "business units", ignoring the most fundamental micro-individuals—ordinary employees. Enterprises lack a bottom-layer

ecosystem that truly faces the daily consumption needs of employees and allows bidirectional flow of micro-funds.

(III) Theoretical Gap: High Capability Assumption and the Lack of "Ordinary-People-Friendly" Mechanisms

Synthesizing the above literature, a systematic theoretical blind spot exists in current enterprise growth and organizational management theories: the excessive presumption of participants' "advanced rationality" and "high-order capabilities".

In traditional growth solutions, whether strategic transformation or management innovation, participants are invariably required to "become stronger". This design ignores the largest base in the organizational system—ordinary people who follow basic survival instincts. The "Bounded Rationality" hypothesis proposed by Simon points out that human cognitive bandwidth and information processing abilities are limited, and individuals pursue "satisficing solutions" rather than "optimal solutions" in actual decision-making. Kahneman's behavioral economics research further indicates that, compared to complex long-term strategic calculations (System 2), individuals in daily life are more inclined to rely on intuitive, short-term profit-seeking and harm-avoiding instincts (System 1).

Therefore, there is an urgent need for a "dimensionality reduction" mechanism design in the existing theoretical spectrum: by optimizing the "Choice Architecture", the hope for growth is no longer pinned on elevating employee capabilities or searching for management geniuses, but rather on outsourcing complex growth decisions to the most fundamental market mechanisms. The theoretical basis of this "ordinary-people-friendly" mechanism is: as long as institutional design can couple enterprise development with individuals' "consumer instincts" (buying needed goods) and "market instincts" (earning basic price differences), the system can operate spontaneously with a "zero capability threshold". This theoretical gap is exactly the entry point and foothold for proposing the "endogenous growth model based on internal daily service circulation" in this paper.

III. Endogenous Advantage Resilient Economy: Model Construction Based on Internal Circulation

To overcome traditional growth models' excessive reliance on high-quality human capital, this section will detail the construction of an enterprise endogenous growth model based on "internal daily service circulation". The core of the model is to achieve a dual multiplication of utility and capital without increasing the initial capital stock, through the circular flow of funds at the micro level.

(I) Basic Assumptions and Micro-Flow Mechanism

The foundational logic of this model is built on a simple economic common sense: the utility of money lies in circulation.

Traditional One-Way Flow (Baseline Scenario): In traditional employment relationships, funds flow unidirectionally. The enterprise pays 100 yuan in salary to the employee, and the employee inputs this 100 yuan into the external market to meet living needs. For the

enterprise, this 100 yuan is pure sunk cost; for the system, the transaction chain is broken within the enterprise.

Internal Two-Way Circulation (Model Setting): This model intercepts and reconstructs consumption scenarios within the enterprise. The enterprise is not only a purchaser of labor but also transforms into a provider of daily services (such as catering, convenience services, etc.). The enterprise pays 100 yuan to the employee, and the employee consumes it internally. In this process, the initial 100 yuan does not physically increase, but in the "enterprise-employee-enterprise" flow, the enterprise recovers part of the costs or profits (e.g., recovering 10 yuan), while the employee fulfills basic needs like eating and convenience.

Economic Essence: Through this internal service provision, the Velocity of Money within the system is increased. Without the condition of additional external cash inflow, the system creates a total utility satisfaction exceeding 100 yuan.

(II) Role Definitions and Behavioral Rules

In this micro-market, the roles of the enterprise and employees are substantially restructured, but this restructuring does not require behavioral subjects to master new skills; rather, it aligns with their most basic instincts of seeking advantage and avoiding harm.

Employees as the "Demand Side": Employees are no longer "resources" passively accepting corporate culture brainwashing or performance appraisals, but are reduced to pure "consumers". Employees generally lack strategic initiative for such internal transactions (because there are no extra dividends beyond the goods themselves), and their motivation for participation is merely to conveniently meet daily rigid needs (such as time-saving and cheap meals).

Enterprise (Managers) as the "Supply Side": The manager's role shifts from an "order-giving supervisor" to an "operator of the internal market". To encourage employees to keep their 100 yuan internally, managers must provide competitive services. At this point, the enterprise's goal changes from solely "squeezing labor surplus value" to "providing services internally to recover funds".

(III) Core Features: Institutional Design and "Zero Capability Threshold"

The most core and highly counter-intuitive theoretical breakthrough of this scheme lies in: it does not require participants to become stronger; it only requires participants to "not cause trouble".

Traditional growth models are "elite solutions", whereas this model is a purely "ordinary-people-friendly solution". It assumes that participants are ordinary people with limited cognitive bandwidth, and through institutional design, it "outsources" complex business decisions to underlying market mechanisms and bottom-line logic.

Capability Requirement for Employees: Zero Threshold (Consumer Instinct). What do employees need to do in this system? Simply spend the money (or internal quota) in their hands to buy what they need. What capability does this require? The ability to pick goods, compare prices, and judge their own needs. In logical essence, this is not a workplace "capability" at all, but the "consumer instinct" executed daily by every mentally sound normal person. Employees do not need to understand finance or management; they just make choices like buying groceries at a market.

Capability Requirement for Managers: Street-Stall Level (Market Instinct). What do managers need to do in this system? Use the resources provided by the enterprise (raw materials, storefronts, etc.) to provide internal services and earn price differences. The capabilities required are merely: the ability to calculate accounts (whether revenue minus cost is positive or negative), observe (what employees lack), and adjust (stop if losing money, replicate if profitable). This does not require an MBA's strategic vision; its capability requirement is equivalent to an "auntie running a roadside convenience store" or a "street vendor", only needing basic price sensitivity and common sense.

(IV) Summary

Through "dimensionality reduction", this model transforms the high-dimensional requirements for human capital into the lowest requirements for human nature—having needs, being able to calculate, and acting non-impulsively. As long as everyone trades according to instinct, the gears of internal circulation will automatically mesh and operate, and the automatic screening of market mechanisms will replace subjective human selection, forming the most solid foundation for enterprise endogenous growth.

IV. Static Mechanism Analysis and Theoretical Proof

This section will theoretically prove the effectiveness and robustness of the aforementioned "internal service circulation" model through static analysis from microeconomics and behavioral perspectives, revealing how the "zero threshold" requirement achieves Pareto improvement of the entire system without increasing external inputs.

(I) Micro-Utility and Pareto Improvement Proof

In the traditional one-way salary payment system, after employees receive absolute monetary income, they must seek corresponding goods or services in the external market to satisfy their utility. In this model, the enterprise intervenes on the supply side.

Assume an employee has an initial budget W (i.e., salary) and a utility function $U(C, S)$, where C is external commodity consumption and S is internal service consumption. In the external market, the price of obtaining the same service is P_{ext} , with searching and time costs T . In the internal market, the price provided by the enterprise is P_{int} .

As long as the enterprise follows the pricing principle of "not exceeding the normal price", ensuring $P_{int} \leq P_{ext}$, or the total cost including search cost is lower due to the extreme convenience of internal acquisition, the employee, based on the most basic "consumer

instinct" (pursuing utility maximization), will inevitably choose to allocate part of the budget to internal services S. In this static game:

Employee side: Obtains services priced no higher than the external market and more conveniently; total utility U increases or remains unchanged, without the need to exert extra loyalty or "fighting spirit".

Enterprise side: Recovers part of the distributed cash flow, achieving a reduction in marginal costs.

This proves that under the zero capability threshold of "no trouble-making, no coercion", relying merely on the spontaneous transactions of ordinary individuals, the system achieves a non-zero-sum Pareto optimal state.

(II) Capital Turnover and Mathematical Expression of the Multiplier Effect

The economic core of this scheme lies in "creating" incremental funds out of thin air for reproduction or employee incentives by increasing the frequency of internal fund circulation. We can prove this with a simple multiplier model.

Let the total salary distributed by the enterprise be W , the employees' propensity to consume internal services be c ($0 < c < 1$), and the average profit margin (or cost recovery rate) of the internal daily services provided by the enterprise be m ($0 < m < 1$). In a single circulation cycle, the recovered precipitated funds R by the enterprise is:

$$R = W \cdot c \cdot m$$

In traditional one-way allocation, $R = 0$. In the internal circulation model, this non-negative R constitutes the enterprise's "interest-free excess cash flow". To break the deadlock of employees' "lack of initiative", the system introduces a feedback mechanism. The enterprise allocates a proportion α of the recovered funds R for external sales expansion, and a proportion β directly as dividends or welfare back to the consuming employees ($\alpha + \beta \leq 1$). At this time, the employees' actual disposable income becomes $W + \beta R$, which will further push up the internal consumption propensity c for the next period. Theoretically, this makes the total utility satisfaction volume V_{total} of the system far greater than the initially invested cash flow W :

$$V_{\text{total}} = W + \sum_{n=1}^{\infty} W(c \cdot m)^n$$

Since $c \cdot m < 1$, the series converges. The convergence process of this infinite series reconstructs the classic macroeconomic multiplier effect within the micro-enterprise, proving that under the hard constraint of no increase in basic salary budget, capital circulation itself creates excess economic value.

(III) Institutional Robustness and High Fault-Tolerance Mechanism

Traditional growth schemes relying on "elite decision-making" usually carry extremely high systemic risks (Fragility): once elite managers make strategic misjudgments or heavy

investments fail, the enterprise may face bankruptcy. However, this scheme demonstrates extreme robustness through its "bottom-line logic".

Its high fault-tolerance can be proved through Downside Protection. Even if a manager's external expansion or bet using the recovered funds R fails completely, the system's loss is only the "excess returns" generated by internal circulation, and will never erode the enterprise's core capital.

Worst-case Scenario: External investment fails, and no extra profits are returned to employees. At this point, the system degrades to "the enterprise merely utilized internal services to recover part of the distributed salary to reduce costs".

Bottom-line Assessment: This worst-case scenario is still superior to the traditional model of "full salary distribution and complete outward flow of funds".

This proves that the core advantage of this institutional design possesses typical asymmetric risk characteristics: returns have infinite upward elasticity, while downside protection firmly locks risks above zero. Even an occasional failure will not shake the enterprise's survival foundation. Therefore, the system has an extremely high tolerance for managerial trial and error, truly realizing a mechanism design that "allows ordinary people to make mistakes".

V. System Dynamics Simulation and Firm Heterogeneity Analysis

The static analysis in Section IV proved the effectiveness of a single circulation. This section will introduce the time dimension, utilizing the Stock and Flow model of System Dynamics (SD) to explore the causal feedback loops of this mechanism in long-term operation, focusing on dissecting the heterogeneous evolutionary characteristics of the system under different organizational scales (large enterprises vs. small/micro enterprises).

(I) Core Causal Loops and Crossing the Second Curve

Under the system dynamics framework, the long-term evolution of this mechanism is driven by two core loops:

Internal Precipitation Loop (Balancing Loop/Foundation Loop): Enterprise pays salary (outflow) → Employees consume internally → Funds flow back into the enterprise capital pool (stock increase). In this initial phase, the enterprise achieves "cost reduction" and accumulates a foundational survival cushion.

External Expansion and Incentive Loop (Reinforcing Loop): Backflow capital pool → Invest in external market sales/marketing → External customers and profits increase → Extract part of profits to reward employees → Employee participation and internal consumption propensity further increase.

With the continuous operation of the reinforcing loop, the enterprise's "stock" of capital and cost advantages continuously magnifies. When traditional businesses face growth bottlenecks (the first curve peaks), the enterprise can utilize the absolute cost advantages

and capital reserves accumulated in the internal market to launch a "dimensionality reduction strike" against external competitors (e.g., initiating price wars or providing excess value-added services). This external predatory capability, acquired through internal cost structure remodeling, constitutes the Second Curve for the enterprise to achieve leapfrog development.

(II) Organizational Scale Heterogeneity: Evolutionary Bifurcation of Large vs. Small/Micro Enterprises

Despite identical underlying logic, different scales of enterprises exhibit significant differences in system dynamic characteristics and Leverage Points when applying this model.

1. Evolutionary Path of Large Enterprises: Scale Effect and Absolute Cushion

Model Characteristics: Large enterprises possess a massive employee base and deep capital pools, giving their internal market immense complexity and breadth (covering catering, accommodation, transportation, etc.).

Evolutionary Focus: Large enterprises rely on the Scale Effect. A massive base means that even a low recovery ratio yields absolute recovered amounts sufficient to support massive second-curve investments. The core evolutionary challenge lies not in initiating the system, but in preventing "big company disease" brought about by internal market expansion—namely, the bureaucratization and internal inflation of service departments (pricing gradually deviating from external market norms, destroying Pareto optimality).

2. Evolutionary Path of Small/Micro Enterprises: High-Frequency Circulation and Marketing Leverage (Taking a micro catering enterprise as an example)

When applying this mechanism, small/micro enterprises (like a noodle shop with only 2 employees) face extremely small initial stocks, unable to achieve scale expansion directly through "cost precipitation". Here, the core of system evolution lies in high-frequency circulation and the Leverage Effect. By transforming meager profits recovered internally into a capital pool for external marketing lotteries, the enterprise leverages high-frequency external customer traffic without adding extra financial burdens.

Micro-Scenario Setting: In a small noodle shop with only 2 employees, employees eat in the shop daily. Due to the small base, the absolute profit recovered is extremely low, insufficient to directly translate into considerable revenue or risk-resistant capital pools.

Introduction of the Leverage Point (Transforming internal returns into external marketing budgets): The key to the small enterprise's breakthrough lies in altering the defined use of funds—setting the meager profits recovered internally directly as "lottery or free meal quotas" for external customers (e.g., customers pay 1 yuan to enter a lottery, winners get a fixed-amount free meal voucher). This prize pool is fully covered by the internal consumption profits from employees dining in-store, thus not adding any extra operational burden to the shop financially, and such small-amount lotteries face no obvious regulatory resistance.

High-Frequency Reinforcing Loop:

Time difference and high turnover: Catering consumption is a daily high-frequency

behavior. The profit generated by employees dining the previous day directly constitutes the prize pool for the next day. This "daily settlement" high velocity of money compensates for the lack of absolute amounts.

Customer attraction and expanding the pie: Although the single amount is low, the real lottery concessions substantially enhance the shop's attractiveness to surrounding customers.

Involvement of social network ties: When employees realize this mechanism not only makes their dining convenient but also makes the shop prosper (thereby securing their employment or yielding bonuses), they tend to bring their families to dine. The addition of family members expands the internal consumption base → the prize pool amount increases accordingly → attractiveness to external customers is further amplified.

(III) Summary

Under system dynamics simulation, large enterprises rely on "large base × absolute precipitation" to build impregnable cost barriers; while small/micro enterprises rely on "small base × extremely high circulation frequency × marketing leverage" to transform insignificant internal cost recoveries into sustainable external traffic-attracting tools. Both achieve spontaneous systemic endogenous growth through rule design without the need for elite dominance.

VI. Boundary Conditions, Cognitive Constraints and Implementation Hurdles

Although this model exhibits strong robustness and spontaneous growth potential in theoretical deduction and system dynamics simulation, it still faces a series of behavioral constraints and compliance challenges when implemented within the physical and psychological boundaries of real organizations. This section deeply explores the implementation hurdles and failure boundaries of this mechanism.

(I) Cognitive Friction and Framework Restructuring from the "Service Provider" Perspective

Practice has proven that the greatest resistance to promoting this mechanism is not technical difficulties at the execution level, but cognitive conflicts triggered by traditional management habits. In traditional hierarchical enterprises, managers are accustomed to a condescending "order-giving and supervising" role. Making the leadership face and accept the fact of "providing services for ordinary employees" is a massive shock to their inherent power context.

Necessity of Cognitive Reframing: To break this psychological resistance, skillful "framework restructuring" must be applied in the promotional discourse system of the scheme.

Strategy Choice: The acceptability of the same objective fact under different discourse systems varies completely, profoundly reflecting the 'framing effect' in decision-making. Using a framework of "the enterprise currying favor with employees by providing services" easily triggers the management's instinctive rejection. However, shifting to a framework of "legally and reasonably intercepting part of the payroll to lower explicit operational costs through internal services, while simultaneously boosting employee motivation" perfectly

aligns with the traditional managers' inherent demands. This discourse shift eliminates the sense of antagonism between labor and management without changing the mechanism's core, drastically reducing implementation resistance.

(II) Pricing Strategies, Expectation Management, and Compliance Defenses

The pricing mechanism of the internal market is the "Achilles' heel" determining whether the system can operate long-term and legally.

Anti-Premium Principle: The efficiency of the scheme absolutely does not rely on high-premium exploitation of a single internal service. On the contrary, the system's optimal solution is to provide "a variety of different low-price or normal-price services". High-frequency par-value services effectively improve capital recovery efficiency (i.e., turnover rate V), while high premiums not only destroy employees' "consumer utility" but also induce employees to form irrational psychological expectations of "betting on the enterprise's future". Once employees view internal consumption as an "investment" or "risk bet", the 'psychological contract' between labor and management based on daily services suffers a destructive displacement, destabilizing the system.

Compliance Bottom Line to Avoid "Illegal Fund-Raising": In legal practice, enterprises absorbing funds from internal employees easily touch the red line of "illegal absorption of public deposits" or "illegal fund-raising". This scheme perfectly circumvents this legal risk through "authentic service/commodity transactions not exceeding normal prices". This is fundamentally an equivalent exchange consumer behavior, not a financial investment behavior promising capital preservation and interest. Adhering to the bottom line of "par value and authentically providing utility" is not only to circumvent legal risks of illegal fund-raising, but more importantly, to maintain the system's 'organizational legitimacy' in the institutional environment.

(III) Extreme Boundaries of System Failure

The robustness of the system is built on "voluntary transactions", and its failure often occurs when "common sense" is violated:

Instinctive resistance caused by forced apportionment: If an enterprise alienates the "internal market" into forced consumption (such as forcibly replacing legal tender wages with internal vouchers without providing equivalent goods), it will thoroughly arouse employees' "survival defense instincts", leading to passive grassroots resistance or complete bankruptcy of trust, snapping the circulation loop at its source.

Utility absence: If the services provided by the enterprise completely detach from employees' true daily needs (i.e., failing to meet the most basic premise of "spending money to satisfy needs"), the capital circulation loop will snap at its source.

VII. Conclusion

Traditional theories of enterprise endogenous growth often fall into the trap of "elite dependence", pinning hopes for organizational leapfrog development on high-quality talent

and the strategic resolutions of heroic managers. However, by constructing an "internal market circulation" model, this paper proves under the system dynamics framework that sustained enterprise growth does not necessarily require participants to "become stronger".

The core conclusions of this paper are:

1. Institutional design can replace capability selection: By establishing a micro-circulation loop of daily services between enterprises and employees, enterprises can achieve hidden cost recovery without increasing external capital inputs. The capability requirement for participants in this mechanism is reduced to a "zero threshold"—namely, the rationality and basic survival instincts of ordinary people (having needs, capable of calculating, not acting impulsively).
2. Capital turnover creates excess value: The internal circulation mechanism not only lowers the enterprise's survival cost, but the recovered capital pool constitutes a "second curve" power source to expand into external markets and launch dimensionality reduction strikes. Large enterprises rely on massive bases to form absolute capital barriers, while small enterprises can achieve high-frequency traffic attraction by leveraging small profits into marketing (such as daily small lotteries).
3. High robustness and bottom-line safety: This scheme, which outsources complex business decisions to market mechanisms and bottom-line logic, grants returns infinite upward elasticity while firmly locking risks above zero. The worst-case outcome is merely the enterprise legally and reasonably lowering the net cost of payroll issuance.

In short, this is not an "elite solution" pursuing excellence, but an impregnable "ordinary-people-friendly solution". It provides a highly operational and risk-resistant new path for endogenous growth for all types of enterprises in the era of stock game: no longer struggling to search for "supermen" to save the enterprise, but carefully designing common rules that propel the enterprise forward as long as ordinary people "do not cause trouble".

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