Principal of Macro Economic

Student’s Name

Institution

1. **Explain the Economic Principles of Adam Smith**

Adam Smith is considered to be the father of economic and therefore, he had a diverse belief on several economic issues. Adam Smith believed that countries should produce what they are good at and trade their produce. For example, Smith pointed out that there is not needed to grow grapes in Scotland while they are so plenty in France (Smith, 2011). He believed specialization can improve human production a lot and therefore, people should invest their skills and the machinery and other technologies should be used to boost production.

1. **Government policies that Foster Economic Growth**

The government policies are essential for the economic growth of a country. Without effective policies, the economic growth of a country could perform poorly for a century. Therefore, the government policies which can foster economic growth are fiscal policy and monetary policy. Fiscal policy is the changing of government taxation and the rate of spending in order to influence the collective demand in the market. According to Mankiw (2017), if the government wants to increase demand in the economy, it would lower taxes and increase government spending. However, the monetary policy is regarded as affecting the supply of money and changing the interest rate. Therefore, if the government wants to encourage economic growth and increase spending, it lowers the interest rate charged by banks and other microfinance institution and increase the supply of money, though this could increase the inflation rate, it one of the best way to foster economic growth of a country.

3. **Compare and explain why neighboring countries like Singapore & Cambodia, North and South Korea**

The economic growth of a nation is determined by economic policies, and the kind of leadership being practice. The economic growth of North and South countries is different and South Korea is highly developed compared to North Korea. South Korea practices democratic leadership and leaders are accountable to the people. Its market is open because its economy is liberalized compared to North Korea where the state controls all the businesses and other economic activities (CIA Report, 2019). The North is ruled under the communist system and therefore, the people have little say in the manner the country is governed. The North Korea market is closed and therefore, does not attract investors. This happens in other countries such as Singapore & Cambodia, where the Singapore market is open and businesses operate without government interference while the Cambodia government controls businesses.

# References

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