**Microeconomics exercise 1**

**Isabel**

***“Great nations never become poorer because of the waste and unreasonableness of individuals, but they are often poor as a result of the waste and unreasonableness of state power”.***

At the end of the twentieth and the beginning of the twenty-first centuries, economists began to persistently develop and strengthen their opinions about the crisis of the theoretical part of economics, whatever name it was - “political economy”, “economic theory”, “general economic theory”, “economics” and so on. Increased interest in economic theory arises in critical periods of social development. It was then, in the era of the formation and development of capitalism, that the liberal economic doctrine was formed. The economic person of A. Smith, with his egoistic basic norms and today, despite all modifications, is the basis of the liberal doctrine. In this regard, in different interpretations by economists, the question is posed.

In the economic doctrine of the Western countries thinkers, there is no social dominant as such. The narrowing of the subject matter to a purely economic issue at that time was considered a great progress in the methodological aspect. In that historical framework, the approach was apparently correct. The state budget of the countries was small, national economies were not burdened with social problems, the institutions of civil society were in the process of formation, initial capitalism, even a “semi-wild” state, was in all respects more attractive than feudalism, burdened by a whole range of class restrictions. In the realities of our time, many of the positions of Smith’s economic liberalism doctrine have shown their limitation.

Today, it is wrong to consider that Smith created a remote economy of the entire business ethics. But a thorough reading of his work, as proposed by the Nobel Prize in economics A. Sen, allows to an investigation into the natural world and reasons of the Wealth of Nations? "(1776) as a practical application of ethics that stems from his previous book"? “The theory of moral feelings (1759). From this global perspective, it is not surprising to see how, for Scots, moral values ​​have been intimately linked to human behavior.

Adam Smith and his time were redundant to write about ethics in business since it was already implicit. The motivational exchange of self-interest was mutually beneficial if the parties did not try to deceive each other. Based on a superficial reading of Smith and influenced by liberalism and positivism, the mainstream of contemporary economics today goes against the deepest convictions of early classical economists. In order to create an ethically neutral, predictable science, the result was to end up using elegant mathematical models that deprived people of motives other than self-interest. By using the exchange of equivalents as the only valid means of contributing to rationality and the common good, we have come across a system that seems to supplant the human person from the center of the stage.

**Conclusion**

Adam Smith concludes in his essay that the economic system is a self-regulating system that develops on the basis of objectively existing laws. Further, the theory of economic laws is developed. True, the term itself is not yet in his writings. Adam Smith speaks of the "laws of human nature." Nevertheless, the introduction of this concept into the scientific revolution represented an undoubted step forward in comparison with the position of its predecessor W. Petty, who interpreted the laws in force in the economy as “laws of nature”. Smith, on the other hand, has a definite understanding of the specifics of economic laws — their belonging to social phenomena. A valuable in this position of the Western economist is his understanding of the objective nature of such laws, that they act independently of the will and consciousness of economic entities and that people.

**References**

Keohane, R. O. (2005). *After hegemony: Cooperation and discord in the world political economy*. Princeton University Press.

Maddison, A. (1995). *Monitoring the world economy, 1820-1992* (p. 238). Paris: Development Centre of the Organisation for Economic Co-operation and Development.

Throsby, D. (2001). *Economics and culture*. Cambridge university press.

Hirshleifer, J. (1985). The expanding domain of economics. *The American Economic Review*, *75*(6), 53-68.

Hoogvelt, A. (2001). *Globalization and the postcolonial world: The new political economy of development*. JHU Press.