

## 1.1.2 Positive and normative economic statements

- a) *Distinction between positive and normative economic statements*
- b) *The role of value judgements in influencing economic decision making and policy*
- Positive statements:
  - **Objective statements** that can be tested, amended or rejected by referring to available evidence
  - They deal with **objective explanation** and the testing and rejection of theories
  - They can also be false statements
  - They can be disproved or proved by referring to available evidence
  - Positive statements can be made on the basis of models which are used to predict behaviour
- Normative statements
  - **Subjective** statements based on **value judgements** and cannot be disproved. It's not possible to say whether it is true only whether you agree.
- Most economic policy and decisions are influenced by **value judgements**, which vary from person to person, resulting in fierce debate between political parties
- **Value judgement**: an assessment of something as good or bad
- **Objective statements/ explanation**: not influenced by personal feelings
- **Subjective statements**: they say what ought to be or what should be happening and try to persuade you of the merits or demerits of a policy
- An empirical approach means focusing on the evidence in an argument which is becoming more and more important in shaping different government policies and how much funding to give to each
- Examples of statements:
  - Normative: Pollution is the most serious economic problem
  - Positive: Higher interest rates will cut house prices
- Factors effecting economic decisions:
  1. Normative statements
  2. Moral views and value judgements
  3. Political judgements
  4. Short term consequences
- Positive statements are important as they can be tested by referring to the available evidence
- Ways positive statements can be verified:
  1. By reference to a date or by using a scientific approach.
  2. It is possible to make positive economic statements on the basis of models.
  3. They may be based on official data such as GDP
- Normative statements are important as value judgements influence decision making and government policy

- Most economic decisions and policy are influenced by value judgements, which vary from person to person, resulting in debate between political parties.

