

SATPREP

Positive and Normative Statements

Positive Statements –

Positive economics focuses on the description, quantification, and explanation of economic developments, expectations, and associated phenomena. It depends on data analysis, facts, and figures

Positive economics is objective and fact-based in which the statements are precise, descriptive, and clearly measurable. These statements can be measured against tangible evidence or historical instances. It describes “what is” scenario.

Eg.

1. A fall in supply will lead to increase in price.
2. Government-provided healthcare increases public expenditures.

Normative Statements –

Normative economics focuses on the ideological, opinion-oriented, prescriptive, value judgments, and "what should be" statements aimed toward economic development. It deals with “what ought to be” situations.

Normative economics is subjective and value-based, originating from personal perspectives, feelings, or opinions involved in the decision-making process. Normative economics statements are rigid and prescriptive in nature. They often sound political or authoritarian.

Eg.

1. We should cut taxes in half to increase disposable income levels.
2. Working citizens should not pay for hospital care.

- Note: Both positive and normative economic statements are required in order to create the policies of a country, region, industrial sector, institution, or business.