Normative and Positive Economics

• We should distinguish between normative and positive economics.
  – Normative economics consists of statements along the line of “this is a good or bad policy”
  – Positive economics consists of statements along the line of “the effects of this policy will be…”

Normative and Positive Economics

• Our statements are statements in positive economics.
  – If we lower death rates, the standard of living will decline.
  – If we lower birth rates, the standard of living will rise.

Normative and Positive Economics

• American crime rates fell in the 1990’s.
Normative and Positive Economics

• American crime rates fell in the 1990’s.
• The decline may be due to *Roe v. Wade*.

A Warning

• Good policy requires a good model.
• But first, let’s make sure that we have a model that fits the facts.

Normative and Positive Economics

• American crime rates fell in the 1990’s.
• The decline may be due to *Roe v. Wade*.
• All this study suggests is that legalized abortion led to lower crime rates.
• The policy implications are a separate issue.

End

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