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…”

- 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.

- 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.

End

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