

Normative and Positive Economics

$$A \Rightarrow B$$

Normative and Positive Economics

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 - 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

- We should distinguish between 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.

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- Our statements are statements in positive economics.
- While they may have normative implications, do not leap to those conclusions.

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- 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.

A Warning

- Good policy requires a good model.
- But first, lets make sure that we have a model that fits the facts.

End

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