**Normative economics**

**1.** Normative statements contain a \_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and cannot be tested.

**2. Which one of the following is a normative statement?**

The privatisation of the electricity industry has increased the level of consumer satisfaction.

The privatisation of the electricity industry has led to an increase in prices.

Many of the political left think that the privatisation of the electricity industry is wrong.

It is unfair that consumers of electricity get charged different amounts depending on their ability to pay.

Electricity privatisation has attracted private investment into the industry.

**3. Which is Which?** Which of the following statements are normative and which are positive?

4.1 The best policy is one that will maximise the rate of economic growth for the country. *Positive/Normative*

4.2 Government policies give a higher priority to curing inflation than to curing unemployment. *Positive/Normative*

4.3 The government ought to give higher priority to curing unemployment than to curing inflation.

*Positive/Normative*

4.4 If the government gave a higher priority to curing unemployment, that would be popular with the electorate.

*Positive/Normative*

4.5 The price of oil more than tripled between 2004 and 2008. *Positive/Normative*

4.6 In 2009, the poorer countries of the world received less than their fair share of world income.

*Positive/Normative*

4.7 UK citizens were over-taxed in 2009. *Positive/Normative*

4.8 In 2009, most Western economies have faced sharp rises in unemployment rates. *Positive/Normative*

4.9 The UK Government ought to introduce policies to reduce the unemployment rate. *Positive/Normative*

4.10 Smoking is anti-social and should be discouraged. *Positive/Normative*

4.11 The imposition of higher taxes on tobacco will discourage smoking *Positive/Normative*

4.12 The economy of Singapore is closer to a free market system than that of Albania *Positive/Normative*

**Answers: Normative economics**

1. Normative statements are statements which contain a **value judgement** and cannot be tested.

2.

The privatisation of the electricity industry has increased the level of consumer satisfaction.  
Positive

The privatisation of the electricity industry has led to an increase in prices.  
Positive

Many of the political left think that the privatisation of the electricity industry is wrong.  
Normative. Positive too? As could *measure* through polls and voting records.

It is unfair that consumers of electricity get charged different amounts depending on their ability to pay.

Normative

Electricity privatisation has attracted private investment into the industry.

Positive

**3.**

4…

1. Normative - best

2.. Positive

3. Normative - ought

4. Positive

5. Positive

6. Normative – fair

7. Normative – over taxed – depends on one’s opinion as to what is fair

8 Positive

9. Normative – ought – depends on the authors opinion as to whether government should intervene.

10. Normative – anti-social

11. Positive

12. Positive