**Positive Economics**

**1.** Definition - A positive statement is one which is verifiable or testable using \_\_\_\_\_\_\_\_\_\_\_.

This is important because economists are interested in looking at statements which are verifiable and value-free, however it does not provide a solution or explain what should follow.

**2. Which of the following statements are positive and which are not? (Write P or N)**

2.1 Smoking is anti-social and should be banned

2.2 Football is the most popular sport in England

2.3 Numbers of those with swine flu have risen since May 2009

2.4 Gardening should be encouraged by government

2.5 Brazil is a really nice country to visit

2.6 Flights to Brazil have become cheaper since 2009

2.7 The cost of petrol has increased

2.8 State Bank made profits of NZ $400m

2.9 The wages paid to Cristiano Ronaldo are unacceptable and should be cut

2.10 Taxes should be raised to help pay for social welfare

2.11 The UK economy will grow by 2 per cent in 2010

2.12 UK economic growth is too low

2.13 UK economic growth should be higher to reduce unemployment

2.14 All drivers should have to pay higher taxes to reduce congestion

2.15 Congestion costs the UK economy £3 billion

**3. Identify the positive statements in the following extracts (underline the positive statements)**

Extract 1

“Unemployment has risen in the United Kingdom since the beginning of the credit crunch. It is clear that during this time the main cause of this increase in unemployment has been the lack of economic growth caused by the credit crunch. Unemployment can be broken down into a number of different types – these include structural, frictional and demand deficient. However during this time is clear that the unemployment has been distributed throughout the country with the main emphasis on places like the North of England and Midlands. The increase in unemployment is unacceptable and should cause a great deal of upset and concern.”

Extract 2

“Pollution and carbon emissions are the most important issue that faces the industrialised world. No doubt there are other major problems that face the world collectively such as war, famine and disease, but much of this will be a result of global warming. What is needed is a means by which the polluter pays for the damage that they have caused. The best way to do this is to raise taxes. Increases in emissions taxes such as air passenger duty have been shown to have the greatest effect on the behaviour of the polluter”

Extract 3

“Share prices have been very volatile in recent months, with the FTSE fluctuating around the 4200 mark. This has resulted in a significant loss of economic confidence and therefore a decline in consumption. This is a bad thing. The government should increase confidence and help consumers spend more. The only way to increase economic growth is by lowering income tax and therefore increasing the level of confidence in the economy.”

**7. Answers: Positive Economics**

2. Positive statements (P)

2, 3, 6, 7, 8, 11, 13 15

**2. Which of the following statements are positive and which are not? (Write P or N)**

2.1 Smoking is anti-social and should be banned N

2.2 Football is the most popular sport in England P

2.3 Numbers of those with swine flu have risen since May 2009 P

2.4 Gardening should be encouraged by government N/P

2.5 Brazil is a really nice country to visit N

2.6 Flights to Brazil have become cheaper since 2009 P

2.7 The cost of petrol has increased P

2.8 State Bank made profits of NZ $400m P

2.9 The wages paid to Cristiano Ronaldo are unacceptable and should be cut N

2.10 Taxes should be raised to help pay for social welfare N

2.11 The UK economy will grow by 2 per cent in 2010 P

2.12 UK economic growth is too low N/P

2.13 UK economic growth should be higher to reduce unemployment N/P

2.14 All drivers should have to pay higher taxes to reduce congestion N

2.15 Congestion costs the UK economy £3 billion P

3.1 Extract 1

“**Unemployment has risen in the United Kingdom since the beginning of the credit crunch**. It is clear that during this time **the main cause of this increase in unemployment has been the lack of economic** **growth caused by the credit crunch.** **Unemployment can be broken down into a number of different types – these include structural, frictional and demand deficient.** However during this time **is clear that the unemployment has been distributed throughout the country** **with the main emphasis on places like the Northof England and Midlands**. The increase in unemployment is unacceptable and should cause a great deal of upsetand concern.”

3.2 Extract 2

“Pollution and carbon emissions are the most important issue that faces the industrialised world. No doubt there are other major problems that face the world collectively such as war, famine and disease, but **much of this will be a** **result of global warming**. What is needed is a means by which the polluter pays for the damage that they have caused. The best way to do this is to raise taxes. **Increases in emissions taxes such as air passenger duty** **have been shown to have the greatest effect on the behaviour of the polluter**”

3.3 Extract 3

“**Share prices have been very volatile in recent months, with the FTSE fluctuating around the 4200 mark**. This has resulted in a significant **loss of economic confidence and therefore a decline in consumption**. This is a bad thing. The government should increase confidence and help consumers spend more.The only way **to increase economic growth is by lowering income tax** and therefore increasing the level ofconfidence in the economy.”