

What is the difference between positive economic analysis and normative economic ...

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Positive and Normative Economic Analysis Positive Economic Analysis

Economic statements are mostly arrived at upon critically analyzing an economic scenario. The statements made and action taken in that regard often affects the economy in one way or another. It is important to determine whether economic statements made are based on evidence, whether they are objective or whether they are based on mere value judgment. Positive economic analysis encompasses such economic statements, and /or theories that can actually be tested and therefore become empirically proven (Mukherjee 29).

Statements made under positive economic analysis are factual and logical. Data collection and analysis is used to assert the validity of the statement by backing up the claim made using facts. For example, inflation rate in the economy can be said to be 6%. This statement presents a fact that can actually be proven by evaluating price changes in the economy over a given period of time.

Normative Economic Analysis

In this analysis, claims made by normative statements and/or theories cannot be neither be tested nor empirically proven. Normative statements in most cases employ factual information to make economic claims, but the statements by themselves are not factual. They are therefore logical claims but lack evidence. Normative analysis encompasses high value judgment and personal beliefs. In this regard, they are hard to falsify or verify. People who make normative statements basically present their own opinions, based on their morals and standards of life (Mukherjee 19). Unemployment is

better compared to inflation is an example of a normative statement. This statement has no basis of being tested. Therefore, it cannot be empirically proven.

Works Cited

Mukherjee, Sampat. Modern Economic Theory. New York: New Age International, 2007.