

## 1.1.2 Positive and Normative Statements

Economic statements can be divided into two main types: **positive statements** and **normative statements**.

### Positive Statements

A **positive statement** is an objective statement that can be **tested using evidence** and shown to be true or false.

A positive statement does not have to be true. It simply needs to be something that **could be tested using data or empirical evidence**.

Examples of positive statements include:

- “The UK unemployment rate has fallen from 4% to 3.7%.”
- “An increase in interest rates reduces consumer spending.”
- “Higher income tax rates reduce disposable income.”
- “An increase in the price of oil increases firms’ costs of production.”
- “A depreciation of the pound makes UK exports cheaper for foreign consumers.”

These are positive statements because economists can use **data and evidence** to investigate whether they are true or false.

### Normative Statements

A **normative statement** is a **value judgement** based on an individual’s opinions or beliefs about what ought to happen.

Unlike positive statements, normative statements **cannot be objectively proven to be true or false**.

Examples of normative statements include:

- “The government should lower income tax rates.”
- “The government should provide free education for everyone.”
- “The minimum wage is too low.”
- “The government should spend more money on the NHS.”
- “Rich households should pay more tax.”
- “Reducing income inequality is more important than achieving faster economic growth.”
- “The best way to reduce crime is to employ more police.”

Different individuals and political parties may have different normative views because they have different **values, priorities and beliefs**. This can influence which economic policies they support.

## Positive vs Normative Statements

The key difference between positive and normative statements is **whether the statement can be objectively tested**.

- **Positive** → testable → can be shown to be true or false
- **Normative** → value judgement → based on opinions or beliefs

For example, “**The UK government spends £X billion per year on healthcare**” is a positive statement because government spending data can be used to check whether it is correct.

In contrast, “**The UK government should spend more on healthcare**” is normative because deciding whether spending should be higher involves a value judgement.

Value judgements can therefore influence the economic decisions made by both **individuals and governments**.