Positive vs Normative

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**Positive vs. Normative**

In economics, analysis is crucial to define different economic decisions and policies. This is because, economists act as an advisers, analysts, and business consultants on government policy. Therefore, they must know how people make choices and the businessman makes a decision. There are two types of analysis positive analysis and normative analysis. The positive analysis is descriptive while normative shows normative statements. When any decision or policy is made, the economist uses positive analysis to define the conclusion or objective. On the other hand, normative analysis is used to support a topic through opinion or factual statement. In other words, positive analysis is the statement that based on fact while normative analysis highlights how the world should be. In positive analysis different statistical evidence is used to present the argument like calculation of values of different goods and services and then provide recommendations based on available resources. Whereas normative analysis without using calculation or data can suggest that the government should increase taxes because it increases the spending of the government (“Normative and Positive Economics | Economics Help,” n.d.)

**Example of Positive and Normative analysis:**

The difference between positive and normative analysis can be understand through examples easily like example of the interest rate. When an economist says the current interest rate is 3% but to control high inflation government should increase interest to 5% then it is positive analysis as facts and figures are used to analyze the issue. Whereas when economist says inflation is a high and an increase in interest rate can control inflation then it is normative analysis as it shows opinion where no fact is used.

Another example is spending on education. Economist explains that spending on education should be increased to improve the literacy rate. Education can produce more skilled labor that is good for the economy, these are the fact hence called positive analysis. If an economist claims that government should increase taxes so they can spend on education more. Increase in tax can help in increasing literacy rate and the economy, then it is normative analysis as an opinion is given that the government can spend on education through taxes.

**References**

Normative and Positive Economics | Economics Help. (n.d.). Retrieved September 12, 2019, from https://www.economicshelp.org/blog/2864/economics/normative-and-positive-economics/