

## Answers-RM 1-9: Comparing Analytical and Normative Economics

Name:

Course:

Date:

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### Analytical Economics

1. **What is the branch of analytical economics based on?**
    - Analytical economics is based on objective analysis of facts and data.
  2. **What is it also known as?**
    - It is also known as positive economics.
  3. **Statements Used in Analytical Economics:**
    - **Descriptive:** Statements that describe the current situation based on data (e.g., "Unemployment is at 6%").
    - **Conditional:** Statements that predict outcomes based on certain conditions (e.g., "If prices rise, demand will decrease").
  4. **Characteristics:**
    - Fact-based.
    - Objective and free from opinions.
    - Focuses on "what is" rather than "what ought to be."
  5. **Specific Example:**
    - "Canada's GDP grew by 2.5% last year."
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### Normative Economics

1. **What is normative economics based on?**
  - Normative economics is based on opinions, values, and judgments about what should happen.
2. **What is it also known as?**
  - It is also known as policy economics.
3. **Statements Used in Normative Economics:**
  - **Value Judgements:** Statements that include opinions or recommendations (e.g., "The government should reduce taxes to stimulate the economy").
4. **Characteristics:**
  - Opinion-based.
  - Subjective and influenced by values.
  - Focuses on "what ought to be."
5. **Specific Example:**
  - "The government should increase minimum wage to reduce poverty."

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**Why is it important to blend analytical and normative economics when dealing with serious matters?**

- Blending analytical and normative economics allows policymakers to base decisions on factual data (analytical economics) while also considering ethical and societal goals (normative economics). This balance ensures informed and value-driven decision-making.

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**Determine whether each statement is descriptive, conditional, or a value judgement:**

1. **If income taxes are increased, consumer spending will decrease.**
    - **Conditional**
  2. **Governments should provide affordable daycare for working parents.**
    - **Value Judgement**
  3. **Canadian softwood lumber exports to the United States are down 15 percent from last year.**
    - **Descriptive**
  4. **When interest rates rise substantially, some people may not be able to afford their mortgage payments.**
    - **Conditional**
  5. **I should pay for worker training if I want my employees to be more productive.**
    - **Conditional**
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