

Normative vs. Positive Economics Study Sheet

Key Ideas

- **Normative Economics** = Opinions about what *should* happen (right/wrong).
 - **Positive Economics** = Facts about what *is* happening (cause/effect).
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Example 1: Planned Obsolescence

Definition: Companies design products to wear out or go out of style so people buy new ones faster.

- **Normative View (Should Be):**
 - Bad because it creates waste, it should be avoided.
 - Hurts the environment, and should be avoided.
 - Uses up resources and energy.
- **Positive View (What Is):**
 - Changes how often people buy things.
 - Pushes companies to innovate (make new products faster).

Example 2: Marketing

Role in Business:

- Guides companies in deciding what to produce.
- Research shows consumer wants (e.g., eco-friendly products).

Impact on People:

- Ads can make wants feel like needs.
- Shapes buying habits and brand image.
- **Normative View (Should Be):**
 - Should be ethical and honest.
 - Shouldn't trick people into thinking wants are needs.
- **Positive View (What Is):**
 - Shows what people actually want to buy.
 - Explains how ads influence consumer choices.

Quick Summary

- **Normative = What should be (opinions/values).**
- **Positive = What is (facts/evidence).**