



Q6. What do you understand by positive economic analysis?

Ans: Positive economic analysis refers to the analysis in which we study what is or how an economic problem is solved by analyzing various positive statements and mechanisms. These are factual statements and describe what was, what is and what would be. These statements can be tested, proven or disproven and do not involve personal value judgments. For example, if someone says that it is raining outside, then the truth of this statement can be verified. It deals with actual or realistic situations.

Q7. What do you understand by normative economic analysis?

Ans : Normative economic analysis refers to the analysis in which we study whether a particular mechanism is desirable or not. In this analysis, we study what ought to be the desired situation or in what ways the economic problems should be solved. In other words, it is concerned with what should be and what should not be, and what is desirable and what is not? In normative economic analysis we come across normative statements that cannot be tested as they involve personal value judgments. It deals with idealistic situations and is based on ethics. An example of a normative statement could be, 'Central government should not stop providing minimum support price to the farmers'.

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