Exercise walk-through

Economic methodology ▪ 1.2

eXercise

You must be able to

- distinguish **positive 实证** (fact) from **normative 规范** (opinion) statements
- explain **ceteris paribus** and why economists use models
- distinguish microeconomics from macroeconomics

Method — How economists think

- **Positive statement 实证表述**: a fact that can be tested true or false ("a higher petrol price reduces the quantity bought").
- **Normative statement 规范表述**: an opinion resting on a **value judgement 价值判断** ("the government *should* make petrol cheaper").
- **Ceteris paribus 其他条件不变**: "all other things stay the same" — change one variable at a time.
- **Micro 微观** = single markets/firms; **macro 宏观** = the whole economy.

Answer shapes: AO1 (define) + AO2 (apply) + AO3 (analysis) + AO4 (judgement, for evaluate questions).

Method — How economists think

Positive statement	Normative statement
a statement of fact	*a statement of opinion*
can be tested true or false	rests on a value judgement
e.g. a higher petrol price reduces the quantity bought	e.g. the government should make petrol cheaper

Method — How economists think

Economics studies how people choose to use scarce resources

Practice 2.1 ▪ 2 marks

State the difference between a *positive* and a *normative* statement.

Solution 2.1

Method: How economists think

Worked steps

a positive statement is about fact and can be tested true or false; a normative statement is an opinion about what should happen and cannot be tested (2 for a clear difference; 1 for a partial idea).

Practice 2.2 ▪ 2 marks

Define the term *ceteris paribus*.

Solution 2.2

Method: How economists think

Worked steps

a Latin phrase meaning "all other things stay the same" — holding other factors constant while one changes (2 for a clear definition; 1 for a partial idea).

Practice 2.3 ▪ 2 marks

State whether each is micro or macro: (a) the market for coffee; (b) a country's total unemployment.

Solution 2.3

Method: How economists think

Worked steps

(a) micro; (b) macro $(1 + 1)$.

Exam-style 3.1 ▪ 1 mark

Which is a **normative** statement?

A A rise in income tax reduces consumer spending.

B Unemployment rose to 6% last year.

C The government ought to cut income tax for the poor.

D A higher minimum wage can raise firms' costs.

Solution 3.1

Method: How economists think

A A rise in income tax reduces consumer spending.

B Unemployment rose to 6% last year.

C The government ought to cut income tax for the poor. ✓

D A higher minimum wage can raise firms' costs.

Worked steps

C. "Ought to" signals a value judgement, so it is normative.

Exam-style 3.2 ▪ 4 marks

Explain, with an example, why economists use the assumption of *ceteris paribus*.

Solution 3.2

Method: How economists think

Worked steps

[4] AO1 1–2 + AO3 up to 2 — the real economy has many variables; by holding all but one constant (ceteris paribus), e.g. studying how price alone affects quantity demanded, economists can isolate one cause-and-effect relationship.

Exam-style 3.3 ▪ 6 marks

Explain the difference between positive and normative statements, and why the distinction matters for economic policy.

Solution 3.3

Method: How economists think

Worked steps

[6] AO1 2 (define each) + AO2/AO3 up to 4 — positive statements can be tested with data, so they settle facts; normative statements rest on value judgements, so people who agree on the facts may still disagree on policy → distinguishing them helps separate what *is* from what *ought* to be done.