

Positive and normative
statement

Positive and normative statements in economics

These are statements of what will happen, based on empirical evidence, and are referred to as positive statements.

When values or opinions come into the analysis, then this is the realm of normative economics. Here an opinion or value judgement is being made. The above statements can become normative statements.

Key terms

Positive statement: one that is based on empirical or actual evidence.

Normative statement: one that is subjective about what should happen.

Specialisation and exchange

One of the ways in which more goods and services can be produced in the economy is through the process of **specialisation**. This refers to a situation where individuals and firms, regions and nations concentrate on producing some goods and services rather than others.

This can be clearly illustrated at the individual level. Within the family there may be some specialisation in the performance of household tasks, with one person doing the ironing and gardening while another does the shopping and cooking. In the workplace, of course, the fact that some people are labourers or lorry drivers while others have office jobs is also a reflection of specialisation.

At this level, specialisation allows individuals to concentrate upon what they are best at, meaning more goods and services will be produced.

Specialisation and exchange

With the expansion of trade and the development of markets, the benefits of regional and national specialisation became apparent.

Surpluses produced by regions and countries were bought and sold, allowing world living standards to rise. Just as individuals concentrated on what they were best at, so did regions and countries.

Key terms

Specialisation: the process by which individuals, firms and economies concentrate on producing those goods and services where they have an advantage over others.

Market: where buyers and sellers get together to trade.

The division of labour

With the technical advances of the last few hundred years, production of goods and services has taken place on a much bigger scale. The concentration of large numbers of workers within very large production units allowed the process of production to be broken down into a series of tasks. This is called the division of labour.

Modern manufacturing processes are usually split up into a number of tasks. A typical example is in a garment factory where each operative produces one part of an item of clothing such as a shirt sleeve or button holes. This division of labour is usually quicker and cheaper than having one person complete each garment on their own. It also allows workers to become more specialised and can lead to an increase in productivity and an improvement in the quality of the finished product.

Although the division of labour raises output, it often creates dissatisfaction among the workforce as they become deskilled and bored with the monotonous nature of their work. In modern developed economies the dehumanising impact of production techniques, such as using a conveyor belt and robots, has been acknowledged and procedures introduced to counteract boredom such as multi-skilling and moving workers around the production plant.

The division of labour

Key terms

Division of labour: where a manufacturing process is split into a sequence of individual tasks.

Key concept link

Scarcity and choice: Through specialisation and the division of labour, resources that are available can be used to increase what is being produced, so meeting more wants.